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ASIA PACIFIC INSIGHT

August 6, 2020 04:00 AM GMT

Greater China Materials

Gold rush – the case for China's gold equities

We believe investors are rushing to buy gold and related investments which will support a higher-for-longer gold price. China's gold stocks should continue to outperform driven by strong investor appetite and volume upside from acquisitions.

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Contributors

MORGAN STANLEY ASIA LIMITED+
Sara Chan
Equity Analyst
+852 2848-5292
Sara.Chan@morganstanley.com

MORGAN STANLEY ASIA LIMITED+
Hannah Yang, CFA
Equity Analyst
+852 2239-7079
Hannah.Yang1@morganstanley.com

MORGAN STANLEY ASIA LIMITED+
Rachel L Zhang
Equity Analyst
+852 2239-1520
Rachel.Zhang@morganstanley.com

MORGAN STANLEY ASIA LIMITED+
Sean Xiang
Equity Analyst
+852 2848-8154
Sean.Xiang@morganstanley.com

MORGAN STANLEY ASIA LIMITED+
Daniel K Blake
Equity Strategist
+852 3963-1812
Daniel.Blake@morganstanley.com

MORGAN STANLEY & CO. INTERNATIONAL PLC+
Susan Bates
Commodity Strategist
+44 20 7425-4110
Susan.Bates@morganstanley.com

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Greater China Materials

Gold rush – the case for China's gold equities

We believe investors are rushing to buy gold and related investments which will support a higher-for-longer gold price. China's gold stocks should continue to outperform driven by strong investor appetite and volume upside from acquisitions.

Industry View

Greater China Materials — Attractive

WHAT'S CHANGED

	From	To
Zijin Mining Group (2899.HK)		
Price Target	HK$3.89	**HK$5.10**
Zijin Mining Group (601899.SS)		
Price Target	Rmb3.95	**Rmb4.83**
Zhaojin Mining Industry (1818.HK)		
Price Target	HK$10.90	**HK$11.98**
Shandong Gold Mining Co. Ltd (1787.HK)		
Price Target	HK$18.23	**HK$24.45**
Shandong Gold Mining Co. Ltd (600547.SS)		
Price Target	Rmb26.90	**Rmb35.13**
Zhongjin Gold Corp. Ltd. (600489.SS)		
Price Target	Rmb7.25	**Rmb8.49**

Reassessing our bull cases after incorporating recent acquisitions: We provide a deep dive into the upside potential for the gold miners. While newly acquired projects are not yet factored in to our base cases due to pending approvals, we see the growth options that will drive a further rally in stock prices. In our view, China's gold miners will stay active in global M&A, particularly Shandong Gold and Zijin, both of which have established track records in overseas operations and partnerships. Together with an even higher gold price in Rmb terms (+27% YoY vs. +25% in USD) and fresh new highs in China's gold price (9% above historical peak), we expect China's gold equities to continue to outperform.

Higher-for-longer gold price; appetite for investing in the gold giants: Morgan Stanley's Asia EM Equity Strategy team thinks we are well into the first third of gold's bull market relative to equities as COVID-19 triggers a global recession and a likely long lasting hit to equities' earnings power. Morgan Stanley's Commodities team forecasts a bull case 2021e gold price of US$2010/oz. Amid the 28% gold price rally year-to-date, we note the AUM for GDX ETF have grown 39% to US$18.4bn as of August 3. In our view, the inflows into gold-related ETFs such as GDX are an additional driver to the global gold majors. While Shandong Gold has now moved to become the No.11 global gold miner in terms of production, it has not yet been included in the GDM Index, the benchmark for GDX ETF on global gold majors. If this occurred, a potential index inclusion would be a catalyst for the stock.

Zhaojin and Zijin-H are our top picks; Shandong Gold has the most upside in our bull case: With the gold price approaching our bull case, we set our price targets on a probability weighted basis to our bull, base and bear scenarios. Our base case assumes a 2020e average gold price by marking to market 3Q average gold price of US$1907, we estimate. We have factored in longer production growth periods from newly acquired assets. We stay Overweight on Zhaojin and Zijin. Meanwhile, Shandong Gold has the most upside to our bull case given its highest earnings sensitivity to the gold price. Shandong Gold-H and Zijin-H are currently trading at significant discounts of 74% and 48% to their respective A shares. Southbound flows also support the stock prices with 25-31% free float. Zhaojin is the laggard with 20% upside to our revised price target. We expect its Haiyu project will provide 26% production CAGR upon completion by end-2023e.

Exhibit 1:

Changes to rating and price targets

		Rating		Price target		Current	% vs.
		old	new	old	new	price	current
Zhaojin	1818.HK	OW	OW	HK$ 10.90	**HK$ 11.98**	HK$ 9.45	26.8%
Zijin-H	2899.HK	OW	OW	HK$ 3.89	**HK$ 5.10**	HK$ 4.75	7.5%
Zijin-A	601899.SS	UW	UW	Rmb 3.95	**Rmb 4.83**	Rmb 5.79	-16.7%
Shandong Gold-H	1787.HK	EW	EW	HK$ 18.23	**HK$ 24.45**	HK$ 23.75	2.9%
Shandong Gold-A	600547.SS	UW	UW	Rmb 26.90	**Rmb 35.13**	Rmb 42.14	-16.6%
Zhongjin	600489.SS	UW	UW	Rmb 7.25	**Rmb 8.49**	Rmb 11.07	-23.3%

Share prices as of Aug 4, 2020. Source: Morgan Stanley Research

Morgan Stanley Macro Research on Gold:

Commodity Matters: What's driving gold (3 Aug 2020)

Asia EM Equity Strategy: The Case For Gold and Gold Equities (12 May 2020)

Commodities and Global Macro Strategy: Gold – Macro vs Micro (22 Apr 2020)

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44 Zhongjin – Financial summary

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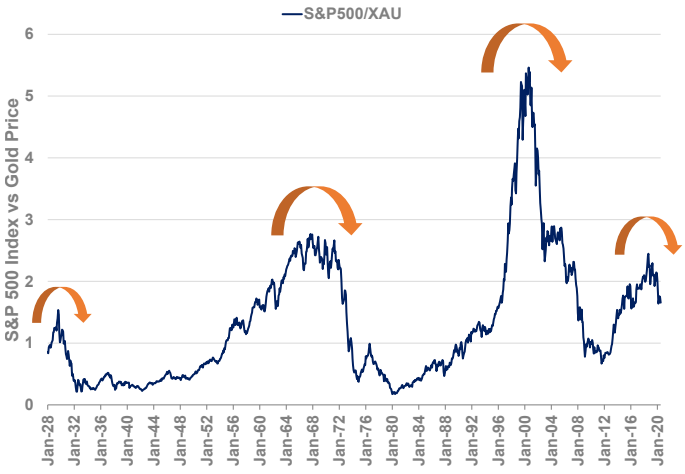
Key charts

Exhibit 2:

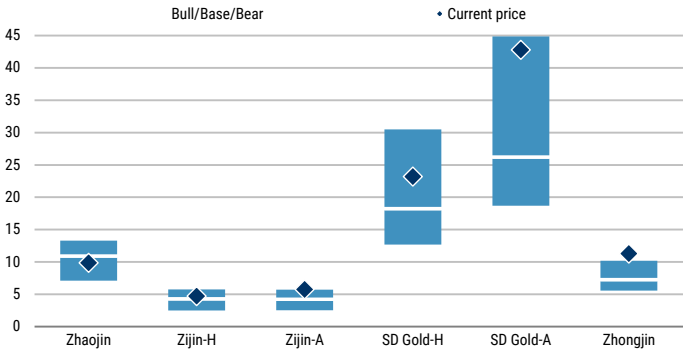
Our strategy team expects trend reversal to gold outperformance vs. S&P



Source: Thomson Reuters, Morgan Stanley Research

Exhibit 3:

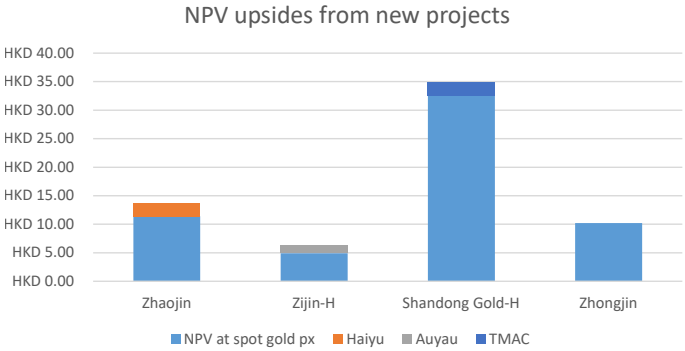
Our new price targets imply 26% and 3% upside for Zhaojin and Shandong Gold-H, respectively; Shandong Gold has the most upside in our bull case



Source: Morgan Stanley Research

Exhibit 4:

Our deep-dive analysis suggests 6-28% upside on NPV values from new projects for Chinese gold majors except for Zhongjin



Source: Company data, Woodmac, Morgan Stanley Research

Exhibit 5:

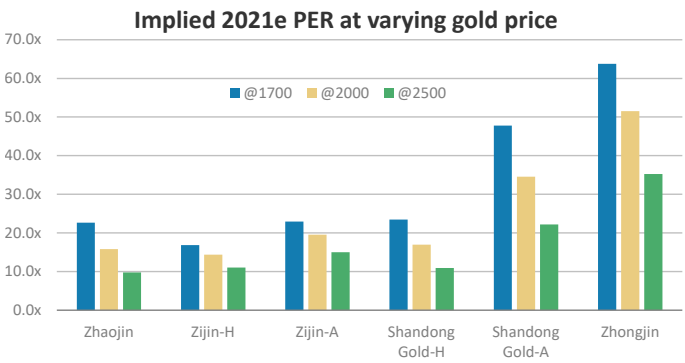
Zhaojin and Shandong Gold have the highest sensitivity to the gold price amongst our coverage

Gold miners	Share price vs. gold pirce 2-year	3-year	5-year	every 1% move in gold price
Zhaojin	76%	77%	79%	3.8%
Zijin (H)	60%	49%	69%	1.5%
Zijin (A)	74%	47%	52%	1.5%
Shandong Gold (H)	95%	NA	NA	3.3%
Shandong Gold (A)	94%	94%	85%	3.3%
Zhongjin	60%	23%	-9%	2.4%

Source: Morgan Stanley Research estimates

Exhibit 6:

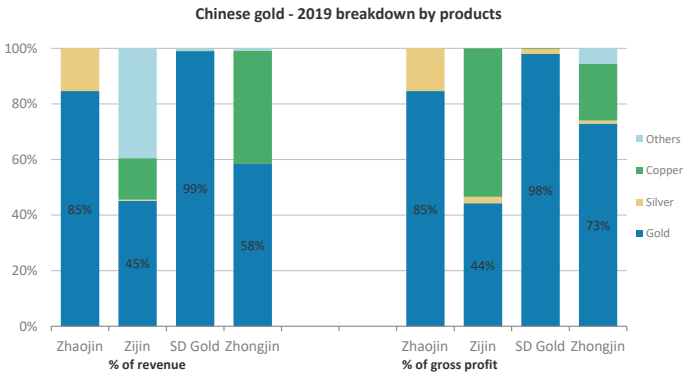
We expect consensus earnings upgrades will drive the re-rating for the gold stocks



Source: Morgan Stanley Research estimates

Exhibit 7:

Shandong Gold has the largest revenue exposure to gold



Source: Company data, Morgan Stanley Research

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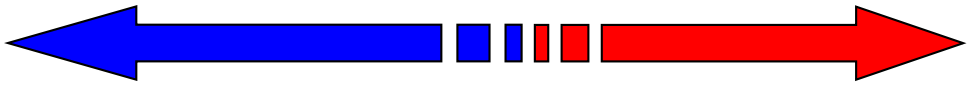
Order of preference

Exhibit 8:

Gold stock preference table

Order of preference



Name	Zhaojin	Zijin (H)	Shandong Gold (H)	Zijin (A)	Shandong Gold (A)	Zhongjin Gold
Stock code	1818.HK	2899.HK	1787.HK	601899.SS	600547.SS	600489.SS
Rating	**OW**	**OW**	**EW**	**UW**	**UW**	**UW**
Trading currency	HKD	HKD	HKD	CNY	CNY	CNY
Current price	9.45 HKD	4.75 HKD	23.75 HKD	5.79 RMB	42.14 RMB	11.07 RMB
Price target	11.98 HKD	5.10 HKD	24.45 HKD	4.83 RMB	35.13 RMB	8.49 RMB
Target upside (%)	26.8%	7.4%	2.9%	-16.6%	-16.6%	-23.3%
Market cap (US$ bn)	4 USD	20 USD	19 USD	20 USD	19 USD	5 USD
Street view						
Green - Overweight **Yellow -** Equal-weight **Red -** Underweight						
Buy/Overweight	5	10	2	14	8	1
Hold/Equal-weight	3	1	1	4	1	2
Sell/Underweight	1	0	0	0	2	1
MS net profit vs Consensus						
2020e	4%	16%	8%	12%	8%	-16%
2021e	-3%	-4%	-8%	-3%	-14%	-28%
PB Multiples						
2020e	1.9 e	2.0 e	2.8 e	2.7 e	5.5 e	2.7 e
2021e	1.8 e	1.9 e	2.6 e	2.6 e	5.1 e	2.6 e

Share prices as of 4 Aug, 2020. Source: Thomson Reuters, Morgan Stanley Research

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Investment case

Assessing the upside from the recent gold price rally and acquisitions

We have modestly adjusted our 2020 net profit forecasts by marking to market our forecast for the 3Q average gold price. With July average gold price of US$1820/oz and spot gold price of USUS1950/oz, we have lifted our 3Q20 average gold price assumption to US$1907 vs. US$1710/oz previously. This brings our 2020 average gold price to US$1739 [**Exhibit 24**] vs. US$1685 previously. In our base case, we maintain Morgan Stanley's Commodities team forecasts of US$1750 in 4Q20 and US$1748 in 2021.

As we see increasing likelihood for the gold price to reach our bull case, we raise our price targets based on probability weightings of our bull to bear case values. We assign probability of 45%/50%/5% to our bull/base/bear values respectively. Our bull cases assume 2021e gold price of US$2010/oz and that the announced acquisitions materialize.

Exhibit 9:

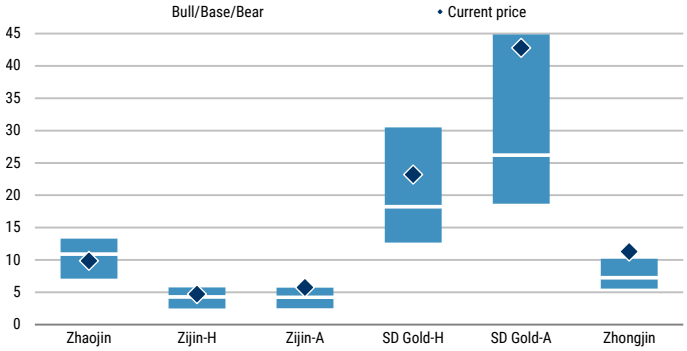
Our new price targets are based on the probability weightings of our bull, base and bear cases

		old estimates			new forecasts			price target	
		bull	base	bear	bull	base	bear	old	new
2020e gold price	US$/oz	1,770	1,685	1,567	1,770	**1,739**	1,567		
2021e gold price	US$/oz	2,010	1,748	1,485	2,010	1,748	1,485		
Zhaojin	1818.HK	HK$ 13.30	HK$ 10.90	HK$ 7.10	HK$ 13.70	HK$ 10.92	HK$ 7.10	HK$ 10.90	**HK$ 11.98**
Zijin-H	2899.HK	HK$ 5.47	HK$ 3.89	HK$ 2.50	**HK$ 6.29**	HK$ 4.30	HK$ 2.50	HK$ 3.89	**HK$ 5.10**
Zijin-A	601899.SS	Rmb 5.56	Rmb 3.95	Rmb 2.54	**Rmb 5.73**	Rmb 4.24	Rmb 2.54	Rmb 3.95	**Rmb 4.83**
Shandong Gold-H	1787.HK	HK$ 27.72	HK$ 18.23	HK$ 12.69	**HK$ 32.63**	HK$ 18.26	HK$ 12.69	HK$ 18.23	**HK$ 24.45**
Shandong Gold-A	600547.SS	Rmb 40.80	Rmb 26.90	Rmb 18.70	**Rmb 46.85**	Rmb 26.21	Rmb 18.70	Rmb 26.90	**Rmb 35.13**
Zhongjin	600489.SS	Rmb 10.19	Rmb 7.25	Rmb 5.58	Rmb 10.19	Rmb 7.26	Rmb 5.58	Rmb 7.25	**Rmb 8.49**
Probability					***45%***	***50%***	***5%***		

Bold indicates the major changes. Source: Morgan Stanley Research estimates

Exhibit 10:

Our new price targets imply 26% and 3% upside for Zhaojin and Shandong Gold-H, respectively



Source: Morgan Stanley Research

Exhibit 11:

Zhaojin and Shandong Gold are highly sensitive to gold price moves

	Share price vs. gold pirce			every 1% move
Gold miners	2-year	3-year	5-year	in gold price
Zhaojin	76%	77%	79%	3.8%
Zijin (H)	60%	49%	69%	1.5%
Zijin (A)	74%	47%	52%	1.5%
Shandong Gold (H)	95%	NA	NA	3.3%
Shandong Gold (A)	94%	94%	85%	3.3%
Zhongjin	60%	23%	-9%	2.4%

Source: Thomson Reuters, Morgan Stanley Research

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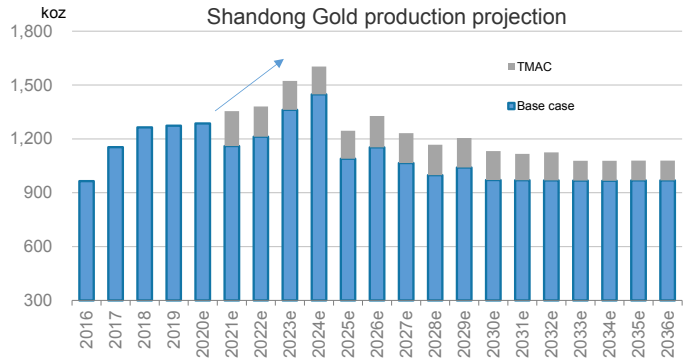
Volume growth to drive further outperformance

After the 11.1%-80.7% YTD rally for A and H shares in Chinese gold stocks, we see volume growth as the next leg to run as Chinese gold miners have a strong desire to boost their gold production profiles. Chinese gold majors, Zhaojin, Shandong Gold and Zijin, have strong pipelines of new projects. In particular, Zhaojin is currently working on a new mine, Haiyu, which is expected to boost its production from 20 tons p.a. currently to 35 tons upon completion. We estimate this will imply 21% CAGR for 2019-2022e. We estimate Shandong Gold and Zijin both have 12% CAGR for 2019-22e in gold production following our deep dive analysis of the **Growth options from recent acquisitions** . We have built in the upside from these new projects in to our bull case scenarios as acquisitions are still subject to regulator approvals.

Exhibit 12:

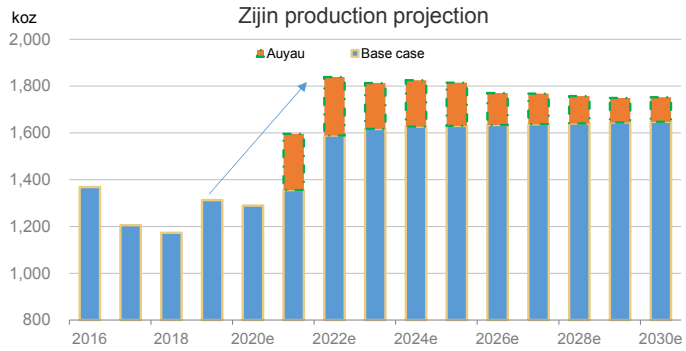
Shandong Gold – we estimate 3% 2019-22e CAGR for gold production in our bull case



Source: Company data, Woodmac, Morgan Stanley Research estimates

Exhibit 13:

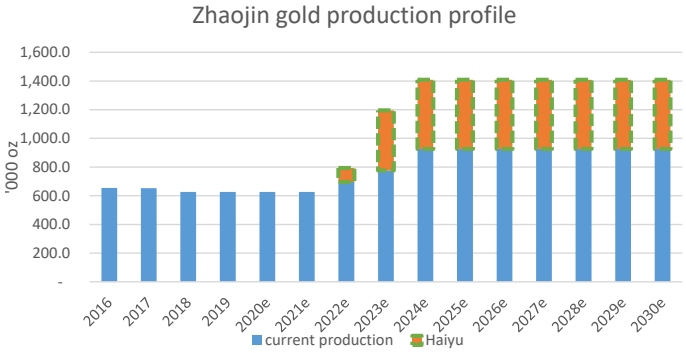
Zijin – we estimate 11.9% 2019-22e CAGR for gold production in our bull case



Source: Company data, Woodmac, Morgan Stanley Research estimates

Exhibit 14:

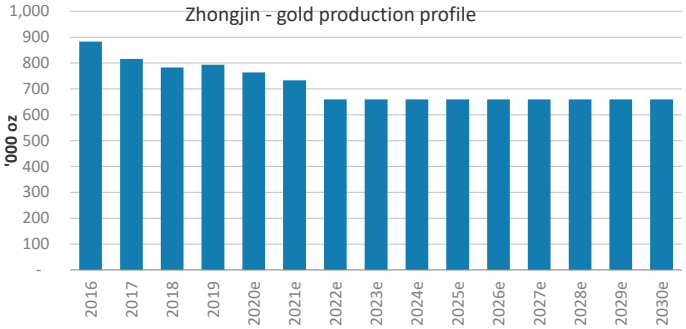
Zhaojin – we estimate 26% production CAGR with Haiyu



Source: Company data, Morgan Stanley Research estimates

Exhibit 15:

Zhongjin does not have announced projects in the pipeline without further asset injection from parents



Zhongjin has indicated its plan to inject six gold projects into listco in 2016, but there has not been any update since then.

Source: Company data, Morgan Stanley Research estimates

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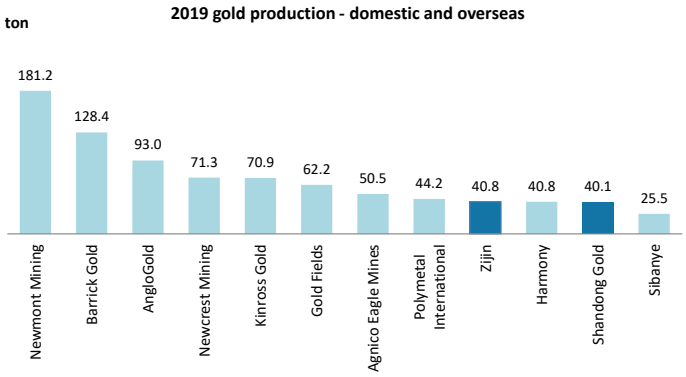
Appetite for investing in gold giants and gold-related investments

Morgan Stanley's Strategy team sees gold as likely to be a continued beneficiary of reflation efforts by global authorities and rising geopolitical tensions (see Asia EM Equity Strategy: The Case For Gold and Gold Equities (12 May 2020). This should continue to drive inflows of investments in gold and gold-related investments. Morgan Stanley's Commodities team also sees the increased likelihood of the gold price moving towards its bull case (see the note Commodities and Global Macro Strategy: Gold – Macro vs Micro (22 Apr 2020)). We note AUM for GDX ETF has rallied 39% YTD surpassing the gold price at +28%. This is an added positive catalyst for the share prices of the global gold majors. Under our China gold coverage, Zijin now accounts for 1.06% in the index. Shandong Gold has grown to be No.11 of global gold majors, based on production. If it occurred, a potential GDM index inclusion would be a catalyst for the stock.

In our view, we expect China gold equities to continue to outperform. This view is supported by: i) gold price in Rmb terms is now 9% above its all time historical peak in 2011, making more attractive returns for Chinese gold miners; ii) even stronger investment appetite by Chinese investors towards gold investments as shown by AUMs for onshore gold ETFs surging 50% YTD; iii) stronger production growth profile with 12-20% 2019-22e CAGR should Chinese gold miners execute on the newly acquired projects.

Exhibit 16:

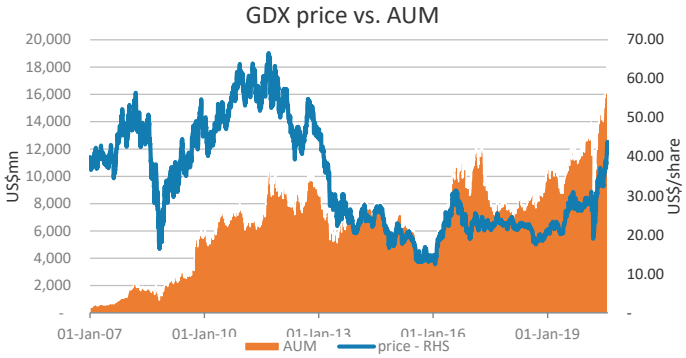
Global gold rankings based on production



Source: Company data, Morgan Stanley Research

Exhibit 17:

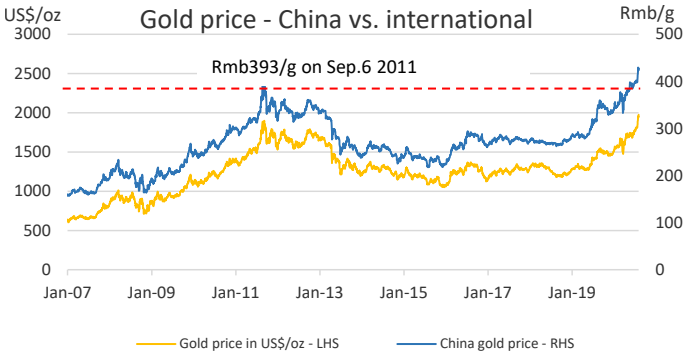
AUM for GDX has rallied 39% YTD surpassing the gold price at +28%



Source: Refinitiv, Morgan Stanley Research

Exhibit 18:

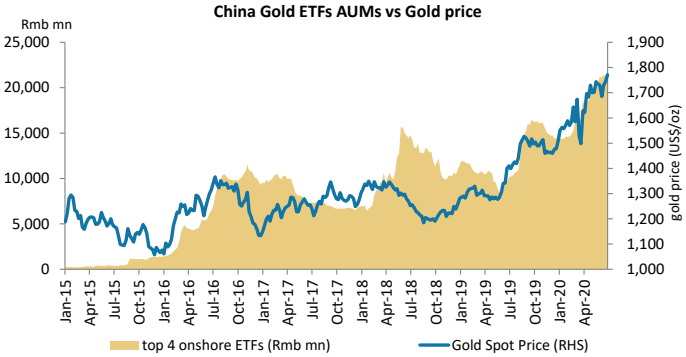
Gold price in Rmb terms is 9% above historical all-time peak in 2011



Source: Thomson Reuters, Morgan Stanley Research

Exhibit 19:

AUM for China onshore gold ETFs have spiked 50% year-to-date



Source: Bloomberg, Morgan Stanley Research

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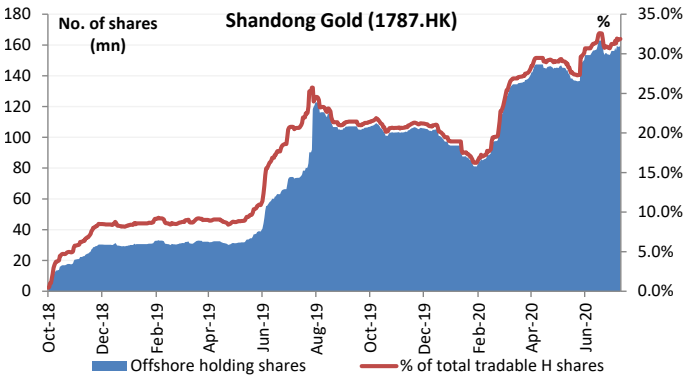
Zhaojin as a laggard play; Reiterate Overweight

Year to date, Zhaojin has lagged peers and the gold price with just a 9% return. The underperformance was mainly due to the 1Q results miss as volume disappointed on the back of Covid-19. Management indicated operations have resumed since April and are on track to meet its full year production target. Zhaojin has guided for an annual gold production target of 606.8koz (down 4.5% YoY) of which 556.6koz is from self-mined gold, implying 11% growth for the higher margin own gold volume. On a spot gold price of US$2000/oz, the stock now trades at 16x 2021e PE, well below its historical average of 28x. Our new target price implies 26% upside from the current level.

Exhibit 20:

Southbound flows account for 31.2% of Shandong Gold-H's free float compared to just 20.8% at the beginning of the year



Source: WIND, Morgan Stanley Research

Shandong Gold has the most upside in our bull case

Shandong Gold has been the best performer with a 79% rally year to date (versus -11.5% for the Hang Seng Index). Shandong Gold is the largest gold producer in China with 98% of its gross profit from gold. Recent corporate action has also contributed to the stock outperformance, as the adjusted share price made it more appealing to retail investors **Exhibit 21**. Our new probability weighted price target of HK$24.45 implies ~3% upside from the current level. Under our bull case scenario for a US$2010/oz gold price in 2021e, Shandong Gold shows significant upside of 37% from the current level. This is due to its high earnings sensitivity as well as volume upside from new projects. We estimate every 1% move in the gold price leads to 3.3% change in its 2021e net profit. On our NPV analysis, we estimate NPV values of Rmb7.7bn for TMAC, assuming a 10% discount rate. This should add HK$2.6, to Shandong Gold's current share price. (**Exhibit 31**)

Exhibit 21:

Shandong Gold has had two rounds of bonus share issues which have adjusted down the effective share prices

		number of shares (mn)		adjusted share price (HK$)	
effective date	share bonus	before	after	before	after
03-Jul-19	10 for 4 shares for A and H shares	2,214	3,100	20.95	14.96
29-Jun-20	10 for 4 shares for H shares	3,100	3,299	17.06	16.03

Source: Company data, Morgan Stanley Research

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Exhibit 22:

Morgan Stanley's annual gold price forecasts from our commodity team

	Gold		
US$/oz	Bull	Base	Bear
2020e	1,770	**1,685**	1,567
2021e	2,010	**1,748**	1,485
2022e	1,999	**1,538**	1,461
2023e	1,695	**1,413**	1,342
2024e	1,656	**1,380**	1,311
2025e	1,632	**1,360**	1,292
LT nom.	1,687	**1,350**	1,215

Source: Morgan Stanley Research estimates

Exhibit 23:

Morgan Stanley's quarterly gold price forecasts

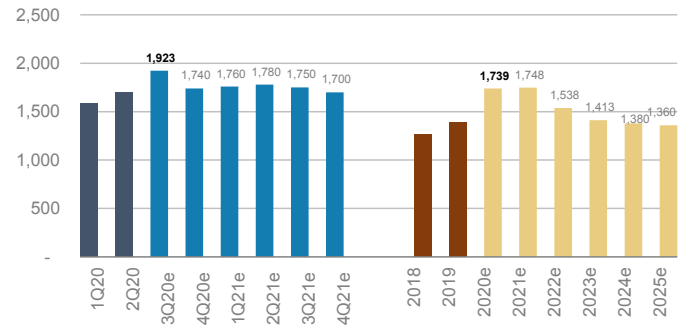
	Gold		
US$/oz	Bull	Base	Bear
3Q20e	1,806	**1,720**	1,600
4Q20e	1,827	**1,740**	1,618
1Q21e	2,024	**1,760**	1,496
2Q21e	2,047	**1,780**	1,513
3Q21e	2,013	**1,750**	1,488
4Q21e	1,955	**1,700**	1,445

Source: Morgan Stanley Research estimates

Exhibit 24:

We have marked to market spot gold price for 3Q20 estimate, which has lifted our 2020e gold price assumption by 3% vs. our house view forecast

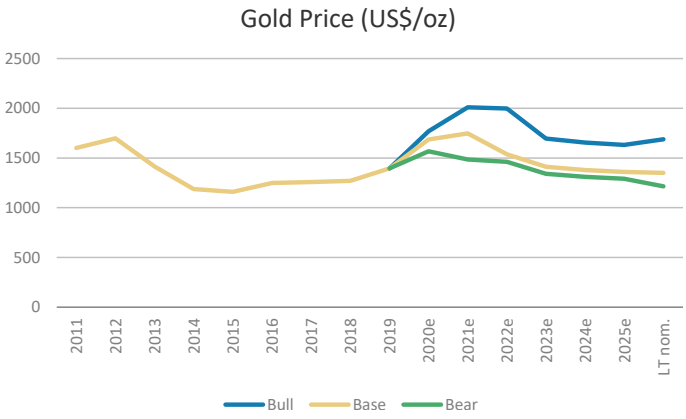
Gold price assumptions (US$/oz)



Source: Bloomberg, Morgan Stanley Research (e) estimates

Exhibit 25:

Gold price assumptions in bull, base and bear scenarios



Source: Bloomberg, Morgan Stanley Research (e) estimates

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Growth options from recent acquisitions

Acquisition upside in our bull case

Chinese gold miners have been active in acquiring assets domestically and overseas. There have been at least six acquisitions by the gold majors over the past year. Recently, Shandong Gold announced proposed acquisition of TMAC Resources in Canada in May. Also in June, Zijin proposed to take stakes in the Tibet Julong in China and the Aurora projects in Guyana. While the projects are pending approvals, our assessment suggests these projects offer upside to current share prices and we set these into our bull cases.

The desire to acquire gold assets supported by government

With depleting domestic production yet continued rising demand, Chinese gold miners' moves for overseas acquisitions are supported by the government in China. China's gold production has been falling for the last three years by 6%, 6% and 5% YoY in 2017, 2018 and 2019, respectively. Apart from investment demand, China's central bank has also been actively adding gold reserves, from 2.2% of total reserves in 2016 to 3.4% currently. China's desire to expand gold reserves should mitigate the risks from the domestic approval process, such as the obtained Enterprise Overseas Investment Certificate to be issued by Department of Commerce.

Exhibit 26:

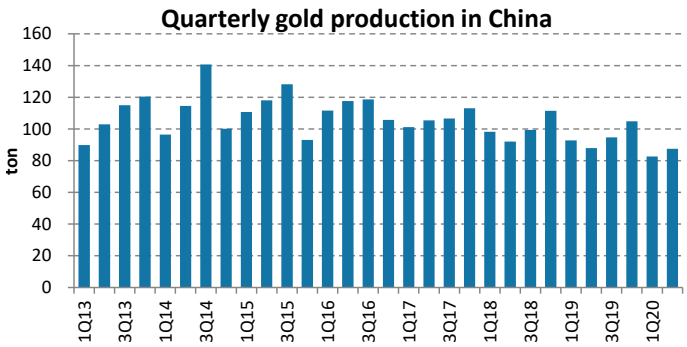
Chinese gold miners have been active in M&A recently - announced & proposed acquisitions

Date	Buyer	Seller	Assets location	Assets name	Assets type	Acquisiton price (Rmb mn)	Reserve (t)	Resource (t)
9-May-20	Shandong Gold	TMAC	Canada	Hope Bay	gold	1,153	110.3	160.9
13-Jun-20	Zijin	Guyana	Guyana	Aurora	gold	1,699	69.67	118.69
8-Jun-20	Zijin	Tibet Julong	China	Qulong/Rongmucuola/Zhibula	copper	3,883		7,957,600
4-Nov-19	Zijin	Nevsun Resource	Serbia	Timok lower		2,730		161
6-Sep-18	Zijin	Nevsun Resource	Serbia	Timok upper	gold-copper	9,530	56	68
6-Sep-18	Zijin	Nevsun Resource	Eritrea	Bisha	copper		85,000	347,000
3-Dec-19	Zijin	Continental Gold	Columbia	Buriticá	gold	7,030	115.39	165.47

Source: Company Research, Morgan Stanley Research

Exhibit 27:

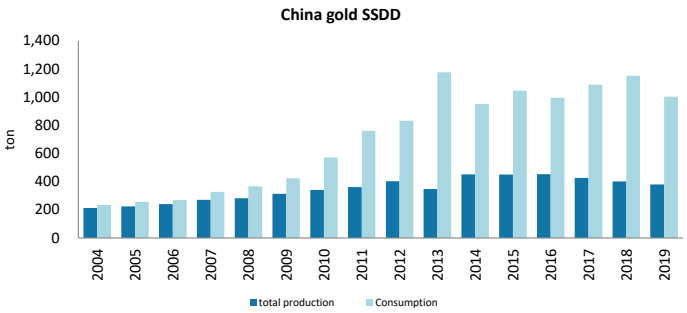
China's gold resources have been depleting with falling production for the last three years



Source: CEIC, Morgan Stanley Research

Exhibit 28:

China sees a widening gap between domestic gold production and consumption



Source: CEIC, Morgan Stanley Research

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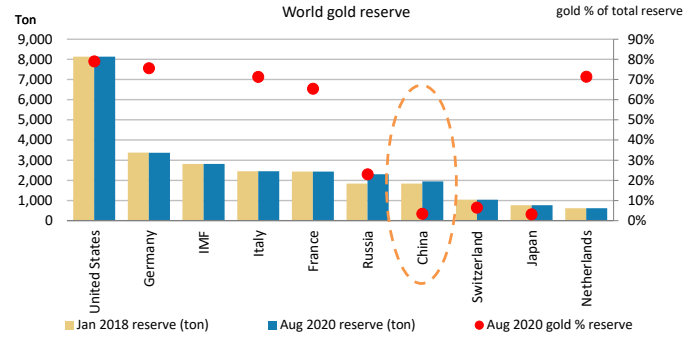
Exhibit 29:

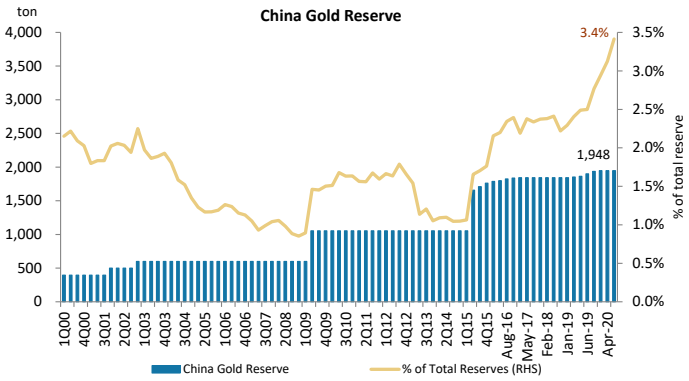
China's gold reserves account for just 3.4% of its total reserves, well below the US's 79% and ECB's 32.5%



Source: World Gold Council, Morgan Stanley Research

Exhibit 30:

China's central bank has been actively adding gold reserves since 2016



Source: World Gold Council, Morgan Stanley Research

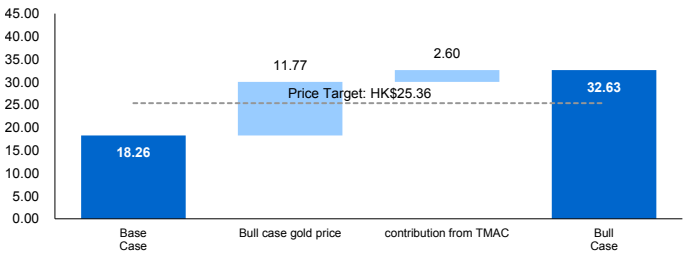
Recent Asset Acquisitions by Company

Shandong Gold

Following its first acquisition in 2017, Shandong Gold has re-accelerated the pace of its global M&A this year. With the acquisition of Veladero mine (50:50 JV with Barrick Gold) in Argentina, Shandong Gold has indicated its plan to grow via acquisitions going forward. In addition to the announced proposed acquisitions for TMAC, the company aims to expand further by exploring other potential acquisitions. We estimate Rmb2.34/share from TMAC. Using 8-14% discount rates, we estimate this will add Rmb6.1-8.7bn to Shandong Gold's valuation.

Exhibit 31:

Our NPV estimates new volumes add HK$2.6/share (or Rmb2.34/share) to our bull case value for Shandong Gold



Source: Morgan Stanley Research estimates

Exhibit 32:

NPV estimates at varying discount rates

	TMAC Resources	
discount rate	Rmb mn	Rmb/share
8%	8,759.2	2.65
10%	7,712.3	2.34
12%	6,844.8	2.07
14%	6,120.8	1.86

Source: Morgan Stanley Research estimates

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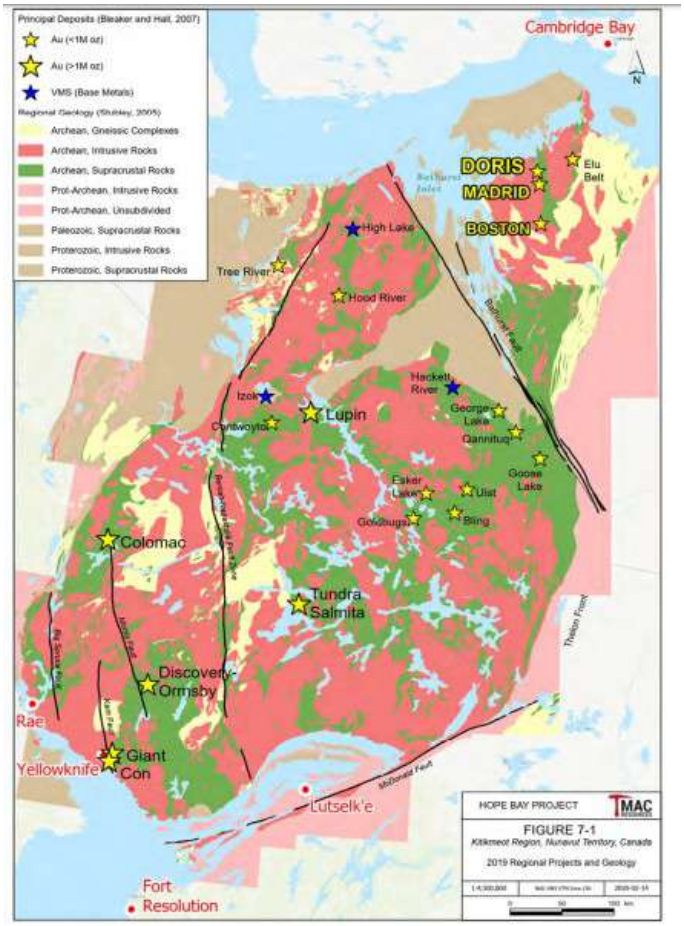
TMAC Resources

TMAC Resources holds a 100% interest in the Hope Bay Property in Canada, which includes three camps Doris, Boston and Madrid. Hope Bay greenstone belt is eighty kilometres long by twenty kilometres wide with possible upside resource potential in the Kitikmeot region of Nunavut as the next major gold mining camp. Infrastructure such as processing plant, air strips, fuel storage etc. are built at sites. Doris has commenced commercial production in 2017 and produced 139koz gold in 2019. Madrid and Boston are expected to commence production in 2020 and 2022, respectively. Doris' daily processing capacity was designed to be 2,000ton but it currently operates at 1,600-1,700t/day.

Exhibit 33:

Regional Projects and Geology at Kitikmeot Region



Source: TMAC Resources

Exhibit 34:

Hope Bay Greenstone Belt

Source: TMAC Resources

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The 2020 pre-feasibility study showed that as of January 1, 2020, proven and probable mineral reserves for Hope Bay are 16.9 Mt, containing over 3.5 million ounces of gold at an average grade of 6.5 g/t. TMAC forecasts Hope Bay to produce over 3.1million ounces of gold, life of mine (LOM).

Exhibit 35:

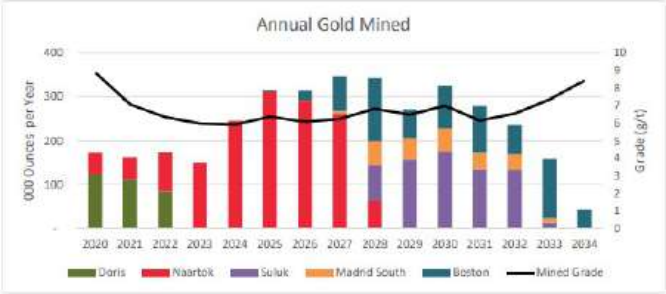
Hope Bay Proven and Probable Mineral Reserves as of December 31, 2019

Ore Reserve Category	Ore (kt)	Gold Grade (g/t)	Contained Gold (koz)
Proven	**99**	**4.1**	**13**
Probable	**16,782**	**6.5**	**3,532**
Doris	1,194	8.4	321
Madrid North	7,737	6.1	1,505
Suluk	3,703	5.8	695
Madrid South	842	9.1	245
Boston	3,306	7.2	766
Proven and Probable	**16,881**	**6.5**	**3,545**

Source: TMAC Resources, Morgan Stanley Research

Exhibit 36:

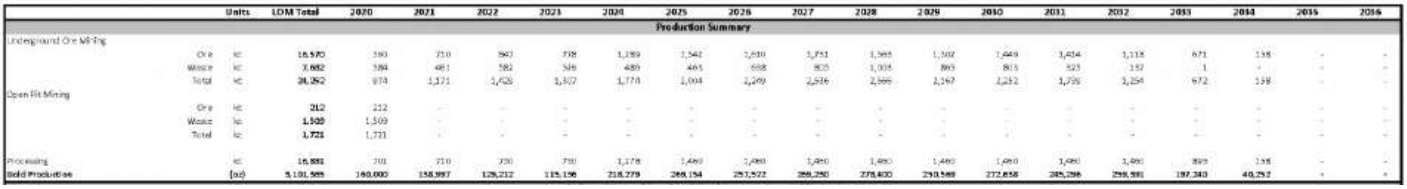
LOM Production Schedule – Gold Content



Source: TMAC Resources

Exhibit 37:

Details of Hope Bay production projection by TMAC Resources



Source: TMAC Resources

Exhibit 38:

TMAC – NPV calculation

		2016	2017	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	terminal
Production	kg		1,715	3,452	4,515	5,679	6,063	5,252	5,008	4,816	4,860	5,436	5,157	5,274	5,091	4,997	
	'000oz		55	111	145	183	195	169	161	155	156	175	166	170	164	161	
Unit cost (US$/oz)																	
Production cost (C1)	US$/oz		791.6	826.8	724.7	587.0	509.6	569.8	581.2	592.8	604.6	543.9	574.1	556.1	573.4	574.1	
C2	US$/oz		949.2	1,174.8	1,196.7	1,013.8	1,207.3	846.8	845.3	856.0	858.4	788.0	821.5	801.5	820.7	821.5	
C3	US$/oz		1,181.5	1,393.5	1,336.1	1,079.4	1,274.3	908.2	858.9	867.1	867.3	798.4	830.2	811.3	829.5	830.2	
Sustaining capex	US$/oz		223.2	289.7	298.2	241.5	512.5	91.7	77.9	76.9	65.7	58.8	62.1	60.1	62.0	62.1	
NPV (US$ mn)																	
Revenue			69.3	140.8	202.4	316.7	341.6	259.6	227.4	213.7	212.5	237.7	230.0	239.9	236.3	236.5	
Production cost			43.7	91.8	105.2	107.2	99.3	96.2	93.6	91.8	94.5	95.1	95.2	94.3	93.9	92.2	
Other cost			12.8	24.3	20.2	12.0	13.1	10.4	2.2	1.7	1.4	1.8	1.4	1.7	1.4	1.4	
Total capex		47.5	56.1	66.8	79.1	44.1	99.9	15.5	12.5	11.9	10.3	10.3	10.3	10.2	10.2	10.0	
Cash flow		**(47.5)**	**(43.2)**	**(42.0)**	**(2.1)**	**153.5**	**129.3**	**137.5**	**119.1**	**108.3**	**106.4**	**130.5**	**123.1**	**133.8**	**130.8**	**132.9**	**974.5**
NPV @10% discount rate						**1,147**											

Source: Wood Mackenzie estimates for production projection, the rest are Morgan Stanley Research estimates

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Morgan Stanley Asia Limited ("Morgan Stanley") is currently acting as financial advisor to Shandong Gold (Beijing) Industrial Investment Co., Ltd ("Shandong Gold Beijing"), an affiliate of Shandong Gold Mining Co., Ltd ("Shandong Gold"), with respect to the proposed takeover bid by Shandong Gold's wholly-owned subsidiary, Shandong Gold (Hong Kong), for shares of Cardinal Resource Limited as announced on 18 June 2020 (the "Proposed Bid"). The Proposed Bid is subject to the required regulatory approvals and other customary closing conditions. This report and the information provided herein is also not intended to (i) provide advice with respect to the Proposed Bid, (ii) serve as an endorsement of the Proposed Bid, or (iii) result in the procurement, withholding or revocation of a tender in the exchange or any other action by a security holder. Shandong Gold Beijing, or another affiliate of Shandong Gold, may pay fees to Morgan Stanley for its financial services. Please refer to the notes at the end of the report.

Zijin

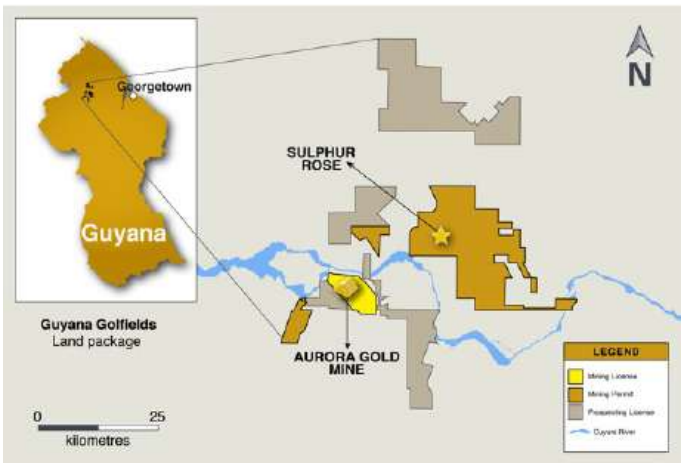
Guyana Goldfields

Guyana Goldfields is a Canadian-based gold producer but has its main assets in Guyana, South America. The Aurora gold mine is the flagship mine of the company and commenced commercial production on January 1, 2016. Production in 2016, 2017, 2018 and 2019 was 4.7t, 5t, 4.8t and 3.87t, respectively.

The mine is located in a greenstone belt of the Paleoproterozoic Guiana Shield, the northern portion of the Amazon Craton. Gold mineralization in the Aurora deposit has been observed in almost all types of lithologies. Aurora is divided into four main mineralized zones: Rory's Knoll, East Walcott and Walcott Hill, Mad Kiss and Mad Kiss West, and Aleck Hill and Aleck Hill North. Among these, Rory's Knoll is the key area accounting for 70% of overall open-pit mine resources and 80% of underground mine resources. Aurora already has built up necessary infrastructure such as on-site airstrip, fuel storage, docking facilities, road connections, etc.

Exhibit 39:

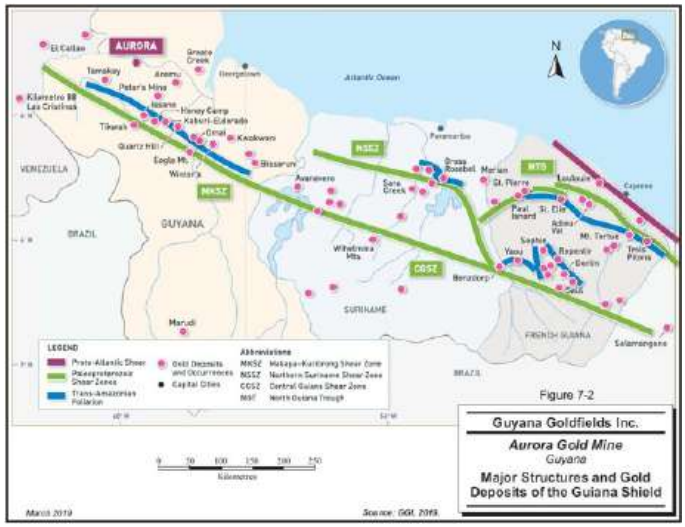
Aurora mine location



Source: Guyana Goldfields

Exhibit 40:

Major gold deposits in the Guiana Shield



Source: Guyana Goldfields

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As of December 31, 2019, Aurora mine has proven + probable mineral reserves of 25.85mnt with average grade of 2.70g/t containing 2.24 million ounces gold. According to the company's production plan, in the middle of 2021, the mine will shift from open-pit mining to underground mining and average annual gold production is estimated to be 147koz. During 2022 to 2026, in the first several years after shifting to underground mining, annual output will increase to 170koz.

Exhibit 41:

Aurora proven and probable mineral reserves as of December 31, 2019

Category	Quantity (kt)	Gold Grade(g/t)	Contained Gold (koz)
Proven			
Open Pit	1,762	2.11	120
Underground			
Surface Stockpiles	118	0.85	3
Subtotal	**1,880**	**2.03**	**123**
Probable			
Open Pit	32	2.80	3
Underground	651	2.46	52
Surface Stockpiles	23,289	2.75	2,063
Subtotal	**23,972**	**2.75**	**2,118**
Proven + Probable			
Open Pit	2,445	2.21	174
Underground	23,289	2.75	2,063
Surface Stockpiles	118	0.85	3
Total	**25,852**	**2.70**	**2,240**

Source: Guyana Goldfields, Morgan Stanley Research

Exhibit 42:

Aurora production plan

Guyana Goldfields Inc. – Aurora Gold Mine

Year	Open Pit			Underground			Total		
	Tonnes (000 t)	Grade (g/t Au)	Contained Metal (oz Au)	Tonnes (000 t)	Grade (g/t Au)	Contained Metal (oz Au)	Tonnes (000 t)	Grade (g/t Au)	Contained Metal (oz Au)
2020	948	1.99	60,656	178	4.14	23,708	1,126	2.33	84,364
2021	1,293	2.13	88,696	854	3.09	84,810	2,147	2.51	173,506
2022	-	-	-	1,932	3.31	205,457	1,932	3.31	205,457
2023	-	-	-	2,216	3.19	227,048	2,216	3.19	227,048
2024	-	-	-	1,862	2.61	156,463	1,862	2.61	156,463
2025	-	-	-	1,849	2.77	164,774	1,849	2.77	164,774
2026	-	-	-	1,786	2.84	163,205	1,786	2.84	163,205
2027	-	-	-	1,769	2.86	162,487	1,769	2.86	162,487
2028	-	-	-	1,739	2.75	153,803	1,739	2.75	153,803
2029	-	-	-	1,784	2.65	151,737	1,784	2.65	151,737
2030	-	-	-	1,733	2.29	127,400	1,733	2.29	127,400
2031	-	-	-	2,067	2.49	165,513	2,067	2.49	165,513
2032	-	-	-	1,959	2.44	153,553	1,959	2.44	153,553
2033	204	3.8	24,855	1,452	2.47	115,517	1,656	2.64	140,372
2034	-	-	-	110	2.07	7,331	110	2.07	7,331
Total	2,445	2.22	174,207	23,289	2.75	2,062,806	25,734	2.70	2,237,013

Source: Guyana Goldfields

Exhibit 43:

Guyana Goldfields - NPV calculation

		2016	2017	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	terminal
Production	kg		-	-	-	-	-	13,095	9,891	10,637	11,539	8,491	9,393	9,829	9,113	5,412	
	'000oz		-	-	-	-	-	421	318	342	371	273	302	316	293	174	
Unit cost (US$/oz)																	
Production cost (C1)	US$/oz		-	-	-	-	-	492.5	624.4	618.6	575.0	793.7	726.2	696.8	754.4	792.1	
C2	US$/oz		-	-	-	-	-	594.9	762.0	762.3	704.5	926.5	859.1	828.3	884.9	929.2	
C3	US$/oz		-	-	-	-	-	728.9	888.9	880.8	816.6	1,045.0	970.0	937.6	999.2	1,049.1	
Sustaining capex	US$/oz							7.1	37.8	43.9	29.7	33.0	33.2	31.7	30.8	51.8	
NPV (US$ mn)																	
Revenue			-	-	-	-	-	647.3	449.2	472.0	504.6	371.3	418.9	447.1	422.9	256.2	
Production cost			-	-	-	-	-	207.3	198.6	211.6	213.3	216.7	219.3	220.2	221.0	137.8	
Other cost			-	-	-	-	-	56.4	40.4	40.5	41.6	32.4	33.5	34.5	33.5	20.9	
Total capex		-	-	-	-	190.0	183.0	20.0	12.0	15.0	11.0	9.0	10.0	10.0	9.0	9.0	
Cash flow		**-**	**-**	**-**	**-**	**(190.0)**	**(183.0)**	**363.5**	**198.2**	**204.9**	**238.6**	**113.2**	**156.2**	**182.4**	**159.4**	**88.5**	**748.5**
NPV @10% discount rate	**US$mn**					**886**											

Source: Wood Mackenzie estimates for production projection, the rest are Morgan Stanley Research estimates

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Zhaojin

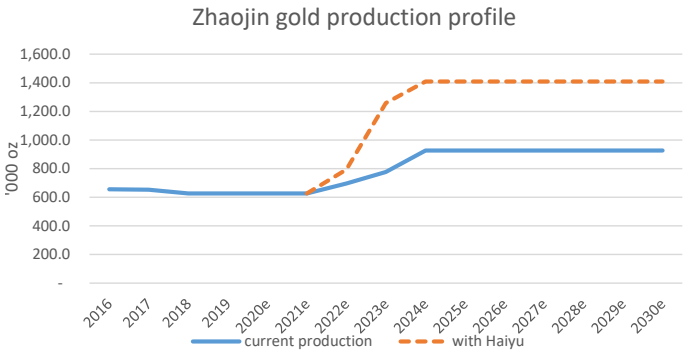
Zhaojin acquired the Haiyu mine for Rmb2.7bn in 2015. Under Chinese mineral reserves standards, Haiyu gold mine has total identified gold resources of 15.1mn oz (7.1mn oz of indicated resources + 8mn oz of inferred resources), implying an acquisition price at US$54/oz for total gold resources, which is at the low end of the precedent domestic transactions range of US$53-126/oz. Meanwhile this is a high-quality asset. Average grade is 4.3g/t, higher than the industry average of 2.45g/t. This is a low-cost underground mine, with expected production costs less than the current total unit cost of Rmb133/g.

Management expects the license to be ready this year and continues to look for commencement in 2022. The project has been budgeted at Rmb6bn, of which Rmb1bn has already been spent. Haiyu will boost its total gold production substantially by 17 tons after 2022 vs. 20 tons expected in 2019.

Compared to the other acquisitions by Shandong Gold and Zijin, we see Zhaojin's Haiyu project as having a relative advantage given its geographic location. Haiyu Gold Mine is in the north of Sanshan Island in Laizhou City, of Shandong province. It is closely located to Zhaojin's existing mines in Zhaoyuan. This allows synergies with Zhaojin's existing operations.

Exhibit 44:

We estimate three year production CAGR of 26% with the contribution from Haiyu



Source: Company data, Morgan Stanley Research estimates

Exhibit 45:

Haiyu mine – NPV calculation

		2016	2017	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	terminal
Production	kg							3.0	13.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	
	'000oz							96.5	418.0	482.3	482.3	482.3	482.3	482.3	482.3	482.3	
	Rmb/g							342.3	309.0	296.6	287.0	285.1	290.8	296.6	302.5	308.6	
Unit cost (Rmb/g)																	
Production cost (C1)	Rmb/g							98.0	101.9	106.0	110.2	114.6	119.2	124.0	129.0	134.1	
C2	Rmb/g							108.0	111.9	116.0	120.2	124.6	129.2	134.0	139.0	144.1	
C3	Rmb/g							153.0	160.1	164.2	168.5	173.0	177.7	182.6	187.6	192.9	
Sustaining capex	Rmb/g							7.8	7.7	7.5	7.4	7.3	7.3	7.3	7.3	7.3	
NPV (Rmb mn)																	
Revenue			-	-	-	-	-	1,026.9	4,017.4	4,448.9	4,305.7	4,276.3	4,361.8	4,449.0	4,538.0	4,628.8	
Production cost			-	-	-	-	-	294.0	1,325.0	1,590.0	1,653.6	1,719.7	1,788.5	1,860.0	1,934.4	2,011.8	
Other cost			-	-	-	-	-	135.0	625.8	723.3	724.6	725.9	727.3	728.7	730.2	731.7	
Total capex		-	-	200.0	500.0	600.0	1,500.0	2,523.4	99.5	112.8	110.8	110.0	110.0	110.0	110.0	110.0	
Cash flow		**-**	**-**	**(200.0)**	**(500.0)**	**(600.0)**	**(1,500.0)**	**(1,925.4)**	**1,967.1**	**2,022.8**	**1,816.7**	**1,720.6**	**1,736.0**	**1,750.2**	**1,763.3**	**1,775.2**	**10,429.1**
NPV @10% discount rate	**Rmb mn**					**7,453**											
discount rate	10%																
terminal growth	-6%																
number of shares	3,221																

Source: Morgan Stanley Research estimates

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Gold price – on track to our bull case

More room to run in this once-in-a-decade rally

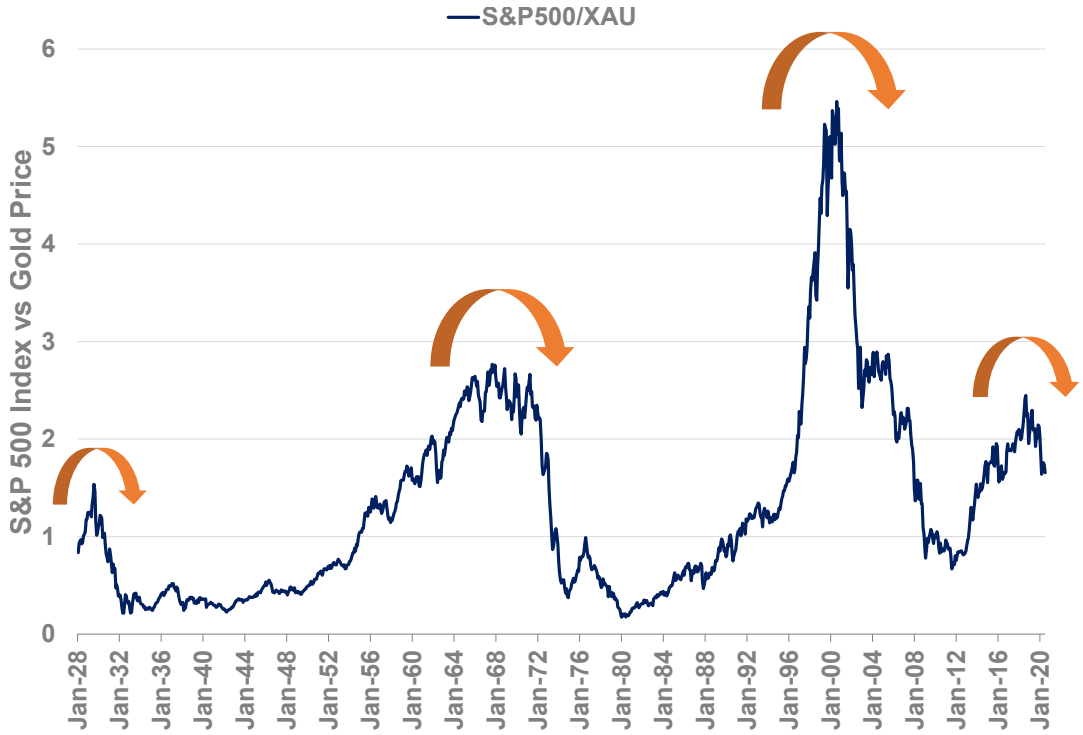
Morgan Stanley's Asia EM Equity Strategy team thinks we are now well into the first third of gold's bull market relative to equities as the COVID-19 recession creates an earnings shock for Asia and emerging markets that will take several years to recover from, while simultaneously ushering in a new era of policy frameworks (see Asia EM Equity Strategy: The Case For Gold and Gold Equities (12 May 2020) and Global Economics: The Return of Inflation, 11 May 2020). **Exhibit 46** shows the long run cycles of the ratio of the S&P 500 index price level versus the gold price. The gold bull cycles versus equities lasted for a little over a decade from 1929 to 1943, from 1969 to 1980 and from 2000 to 2012. Our team thinks a new bull cycle for gold relative to equities began with the outbreak of trade tensions between the US and China in mid-2018 and will continue.

Multiple drivers supportive of gold fundamentals

On fundamentals, with a weakening US dollar and negative real rates, combined with weakening equity markets, we think central bank buying will continue to support a sustained gold price. Morgan Stanley's Commodities team sees a likely move in the gold price above US$2,000/oz in 4Q20 and forecasts a bull case gold price of US$2,010/oz in 2021e (see Commodity Matters: What's driving gold (3 Aug 2020); Commodities and Global Macro Strategy: Gold – Macro vs Micro (22 Apr 2020)). Among the various drivers, a weak US dollar presents as the key near term technical driver to the gold price. Our FX strategist sees risks to the US dollar continuing to stay to the downside (see the note Global Macro Strategist: Keeping the faith). Our Commodities team sees continued upside for gold over the coming months, but caution that this remains a 12-18 month view, with risk skewing increasingly to the downside beyond that, as the potential builds for rising long-dated real rates to trigger a sharp correction in price.

Exhibit 46:

S&P 500 vs Gold Price: Trend Reversal to Gold outperformance of S&P as suggested by our Strategy team



Source: Thomson Reuters. Morgan Stanley Research. Data as of July 31. 2020.

Source: Thomson Reuters, Morgan Stanley Research. The arrows indicate the sign for gold to outperform the S&P 500

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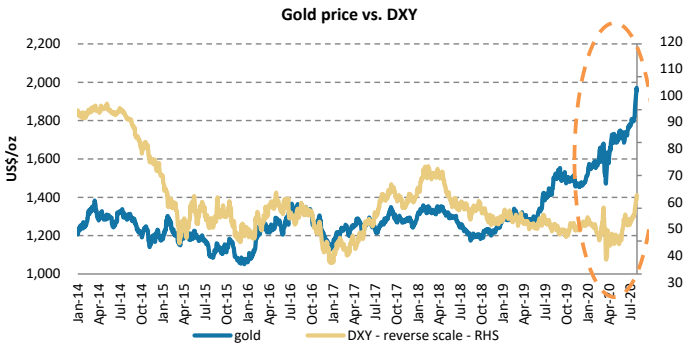
Exhibit 47:

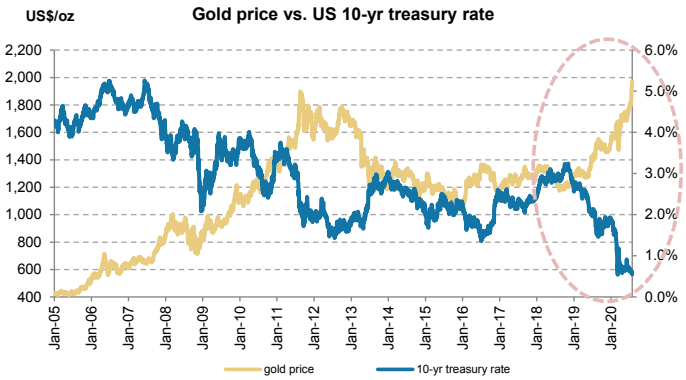
Gold is normally inversely correlated with the US dollar



Source: Bloomberg, Morgan Stanley Research

Exhibit 48:

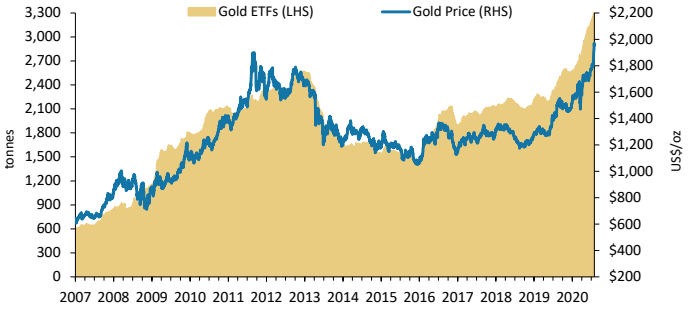
Sustained low interest rate environment will continue to support gold price



Source: Bloomberg, Morgan Stanley Research

Exhibit 49:

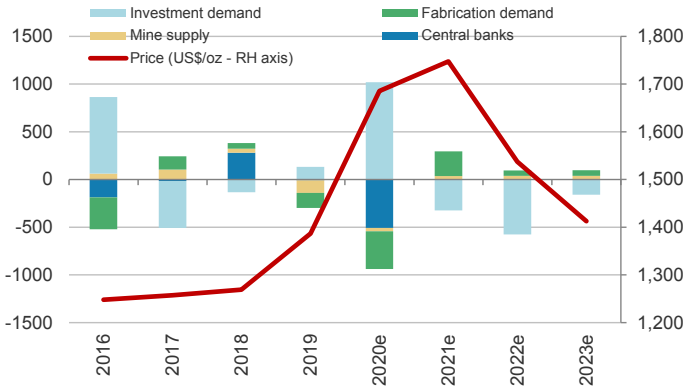
Notable investor inflows into global gold ETFs year to date



Source: Bloomberg, Morgan Stanley Research

Exhibit 50:

Investor inflows outpace weakness in fabrication markets, leading to record high gold prices



Source: World Gold, Council, Morgan Stanley Research

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Silver – room for additional upside

Similar to the gold price rally, silver is another precious metal which has attracted notable investor inflows. Against a 25% rally in gold, silver ETF, SIL, has seen a significant 87% increase in AUM year to date. As the spot price is still well below its post-GFC high of >US$35/oz, bulls expects a catch-up along with the gold price rally. At the current gold to silver ratio of 82 (82oz Ag for 1oz of Au), this is still above its long term (since 2000) average of 68, implying further potential upside on the silver price. Nevertheless, we note silver has greater exposure of 85% to fabrication demand than gold at just 50% (see metal&ROCK: Silver strength (27 Jul 2020))

The majority of silver production is mined as a by-product of gold or base metals mining. Among the listed Chinese miners with silver exposure, gold majors are among the top companies in terms of market cap and production (**Exhibit 57**)

Exhibit 51:

Gold and silver prices have been highly correlated

Source: Thomson Reuters, Morgan Stanley Research

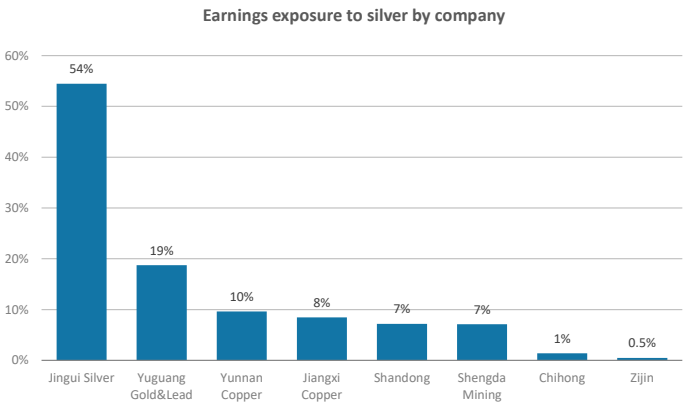
Exhibit 52:

At the current gold to silver ratio of 82, this is still above its long term (since 2000) average of 68.

Source: Thomson Reuters, Morgan Stanley Research

Exhibit 53:

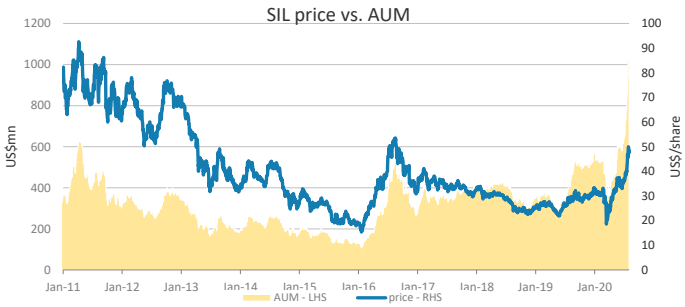
Earnings exposure to silver by company



Source: Thomson Reuters, Morgan Stanley Research

Exhibit 54:

Against a 25% rally in gold, SIL has seen 87% increase in AUM year to date



Source: Thomson Reuters, Morgan Stanley Research

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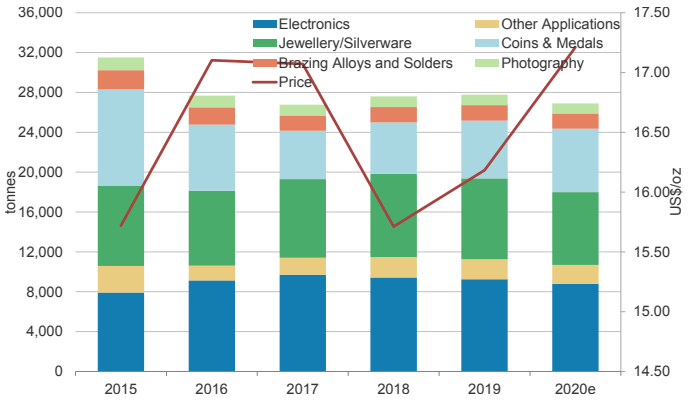
Exhibit 55:

Silver has a dominant 85% of demand from fabrication compared to just 50% for gold

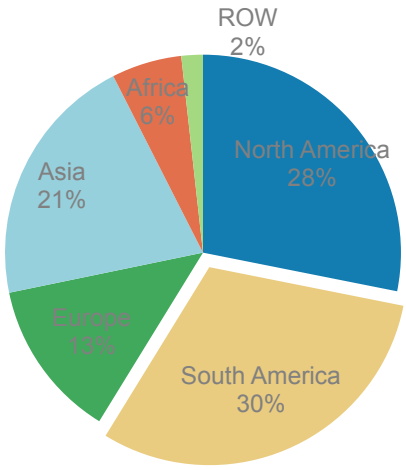


Source: : GFMS, WSI, CRU, Morgan Stanley Research

Exhibit 56:

COVID-19 situation in LatAm may affect silver supply

2019 global silver production breakdown



Source: GFMS, WSI, CRU, Morgan Stanley Research

Exhibit 57:

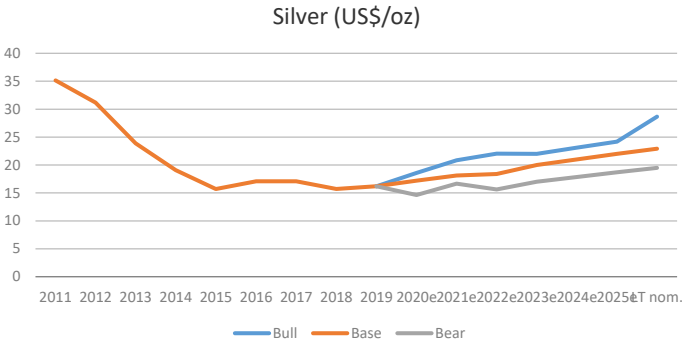
Major A-share listed companies with silver exposure

		Market cap (USD mn)	
601899.SH	Zijin Mining Group Company Limited	20,558	local SOE
600547.SH	Shandong Gold Mining Co.,Ltd.	18,550	local SOE
600489.SH	Zhongjin Gold Corp., Ltd.	7,804	Central SOE
600362.SH	Jiangxi Copper Company Limited	6,405	Private
000878.SZ	Yunnan Copper Co.,Ltd.	3,390	Central SOE
000630.SZ	Tongling Nonferrous Metals Group Co.,Ltd	3,332	local SOE
600497.SH	Yunnan Chihong Zinc&Germanium Co.,Ltd.	3,070	local SOE
002237.SZ	Shandong Humon Smelting Co.,Ltd.	2,508	Private
000060.SZ	Shenzhen Zhongjin Lingnan Nonfemet Company Limited	2,331	local SOE
000603.SZ	Shengda Mining Co.,Ltd	1,911	Private
600531.SH	Henan Yuguang Gold & Lead Co.,Ltd.	959	local SOE
002716.SZ	Chenzhou City Jingui Silver Industry Co., Ltd	211	Private

Source: Company data, Morgan Stanley Research

Exhibit 58:

Silver price moves under Morgan Stanley's bull/base/bear scenarios



Source: Morgan Stanley Research

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Earnings and price target upgrades on higher spot gold price

Marking to market a higher gold price in 2020e

Marking to market a higher gold price in 3Q20, we have raised our 2020e average gold price by 3% to US$1,739/oz (**Exhibit 24**). This translates into a 2020e China gold price of Rmb395/g, +28% YoY in Rmb terms, compared to +24% in USD terms. Accordingly, our 2020e EPS forecasts for Zhaojin, Shandong Gold, Zijin and Zhongjin are adjusted by 11.7%, 18.0%, 8.9% and 3.7%, respectively. Among China's gold majors under our coverage, Shandong Gold has the highest sensitivity to the gold price.

We maintain our 4Q20e, 2021e and 2022e gold price assumptions, in-line with the base cases from our Commodities team forecasts of US$1740, US$1748 and US$1538 per oz, respectively (**Exhibit 22** and **Exhibit 23**).

Probability weighted new price targets

Our new price targets are based on probability weighted values on our bull, base and bear values. We assign 45% probability to our bull cases, as we see the gold price being sustained around the current high level of US$2,000/oz. On the other hand, our bear case of US$1,485 in 2021e is assigned at 5% probability given the lack of imminent rate hike by the Fed. Our base case is set at 50% probability for gold price pulling back to last quarter's level.

Exhibit 59:

We have raised our 2020e earnings forecasts on the back of a higher 3Q20 gold price forecast

	old EPS			new EPS			% change		
(Rmb/share)	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
gold price (US$/oz)	1,685	1,748	1,538	1,739	1,748	1,538	3.2%	0.0%	0.0%
Zhaojin	0.28 e	0.38 e	0.38 e	0.32	0.38	0.38	11.7%	0.1%	0.1%
Zijin	0.19 e	0.25 e	0.31 e	0.21	0.25	0.31	8.9%	0.1%	0.2%
Shandong Gold	0.80 e	0.84 e	0.64 e	0.87	0.84	0.64	10.0%	0.1%	0.1%
Zhongjin	0.16 e	0.17 e	0.11 e	0.17	0.18	0.11	3.7%	4.7%	0.0%

Source: Morgan Stanley Research (e) estimates

Exhibit 60:

Our new price targets are based on the probability weightings of our bull and bear cases

		old estimates			new forecasts			price target	
		bull	base	bear	bull	base	bear	old	new
2020e gold price	US$/oz	1,770	1,685	1,567	1,770	**1,739**	1,567		
2021e gold price	US$/oz	2,010	1,748	1,485	2,010	1,748	1,485		
Zhaojin	1818.HK	HK$ 13.30	HK$ 10.90	HK$ 7.10	HK$ 13.70	HK$ 10.92	HK$ 7.10	HK$ 10.90	**HK$ 11.98**
Zijin-H	2899.HK	HK$ 5.47	HK$ 3.89	HK$ 2.50	**HK$ 6.29**	HK$ 4.30	HK$ 2.50	HK$ 3.89	**HK$ 5.10**
Zijin-A	601899.SS	Rmb 5.56	Rmb 3.95	Rmb 2.54	**Rmb 5.73**	Rmb 4.24	Rmb 2.54	Rmb 3.95	**Rmb 4.83**
Shandong Gold-H	1787.HK	HK$ 27.72	HK$ 18.23	HK$ 12.69	**HK$ 32.63**	HK$ 18.26	HK$ 12.69	HK$ 18.23	**HK$ 24.45**
Shandong Gold-A	600547.SS	Rmb 40.80	Rmb 26.90	Rmb 18.70	**Rmb 46.85**	Rmb 26.21	Rmb 18.70	Rmb 26.90	**Rmb 35.13**
Zhongjin	600489.SS	Rmb 10.19	Rmb 7.25	Rmb 5.58	Rmb 10.19	Rmb 7.26	Rmb 5.58	Rmb 7.25	**Rmb 8.49**
Probability					***45%***	***50%***	***5%***		

Bold indicates the numbers with the major change. Source: Morgan Stanley Research estimates

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Zhaojin – new project Haiyu to offer upside in our bull case

Our new price target for Zhaojin is set at HK$11.98 based on our probability weighted scenarios as follows:

Base case HK$10.92: We derive our base case using a DCF model, which discounts our base-case earnings estimates through 2030, and then normalizes them by 8% WACC. We calculate our cost of equity assumption on an ERP of 5.6%, and a beta of 1.16. We assume a steady-state revenue growth rate of 1% p.a.

Bull case HK$13.70: We have modelled in our bull case a 2021e gold price of US$2010/oz. We have also built in 4 ton contribution (vs. 2 ton in our base case) from new mine, Haiyu, commencing from 2022 and ramping up to 15 ton in 2024 (vs. 9 ton in our base case).

Bear case HK$7.10: We maintain our bear case value with 2021e gold price unchanged at US$1,485/oz under our bear case scenario. Other assumptions stay unchanged – we assume no production growth going forward.

Exhibit 61:

Zhaojin base case DCF

Key Assumptions		Cost of Equit	8%
Shares outstanding (mn)	3,221	Risk Free	0.0%
Target D/(D+E)	20%	ERP	5.6%
Equity Weight	80%	Equity Bet	1.160
Debt Weight	20%	Country Pr	2.0%
WACC	**8%**	**Cost of Debt**	**3.9%**
Terminal growth	**1%**	Interest Ra	5.2%
		Tax rate	25%

DCF (Rmb mn)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
EBITDA	3,706	3,684	4,479	5,616	5,827	5,813	6,078	6,344	6,592	6,846
Net interest expense	(563)	(507)	(349)	(248)	(129)	3	134	284	455	639
Capex	(1,490)	(1,445)	(1,449)	(1,672)	(1,696)	(1,690)	(1,728)	(1,663)	(1,696)	(1,730)
Tax	(532)	(524)	(760)	(1,071)	(1,139)	(1,151)	(1,237)	(1,327)	(1,419)	(1,516)
FCF	1,122	1,208	1,921	2,625	2,863	2,975	3,247	3,638	3,932	4,239
Terminal (2030e)										65,564
Discounting Factor	86%	80%	75%	70%	65%	60%	56%	52%	48%	45%
NPV	18,923	19,142	19,285	18,671	17,254	15,475	13,441	10,961	7,874	4,239
Terminal	34,110	36,679	39,441	42,411	45,604	49,039	52,731	56,702	60,972	65,564
EV	53,033	55,821	58,725	61,082	62,859	64,513	66,172	67,664	68,846	69,803
Net debt	17,440	18,753	20,165	21,684	23,317	25,072	26,961	28,991	31,174	33,521
Equity - 100%	35,594	37,068	38,560	39,398	39,542	39,441	39,212	38,673	37,673	36,281
Minority	3,804	4,052	4,412	4,918	5,457	6,002	6,587	7,215	7,886	8,604
Value of Shareholder's Equity (Rmb m	**31,789**	**33,015**	**34,148**	**34,480**	**34,085**	**33,439**	**32,625**	**31,458**	**29,786**	**27,678**
Share value (Rmb/shr)	**9.87**	**10.25**	**10.60**	**10.70**	**10.58**	**10.38**	**10.13**	**9.77**	**9.25**	**8.59**
Share value (HKD/shr)	**10.92**	**11.54**	**12.15**	**12.49**	**12.57**	**12.42**	**12.12**	**11.68**	**11.06**	**10.28**

Source: Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates

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Shandong Gold – the most upside in our bull case

Our new price target for Shandong Gold is set at HK$24.45 based on our probability weighted scenarios as follows:

Base case HK$18.26: We derive our base case from our DCF model which discounts our base-case earnings estimates through 2030, and then normalizes them by 7% WACC. We calculate our cost of equity assumption on an ERP of 4.5%, and a beta of 1.3. We assume a steady-state revenue growth rate of 3% p.a.

Bull case HK$32.63: We have modelled in bull case 2021e gold price of US$2010/oz. We have also built in contribution from the newly acquired mines should the approvals be received. This brings the total 2022e production to 44 ton vs. 38 ton in our base case.

Bear case HK$12.69: We maintain our bear case value with the 2021e gold price unchanged at US$1485/oz under our bear case scenario. Other assumptions stay unchanged – we have modeled in production falling to 33 tons, mainly from deterioration in gold grades in Argentina. Costs are accordingly higher at Rmb133/g vs. Rmb129/g in our base case.

Our price target for Shandong Gold-A is adjusted to Rmb35.13. This is implied from our Shandong Gold-H price target of HK$24.45 assuming HKDCNY of 1.106 and 63% premium. This has been the average A-H premium since the company was listed on HKEx in 2018. Longer term beyond the next twelve months of our forecast period, we expect the A-H spread to narrow further to trend, closer to the mining peers and market average with the mutual trading on the A and H stocks via HK-Shanghai Stock Connect Program.

Exhibit 62:

Shandong Gold-H base case DCF

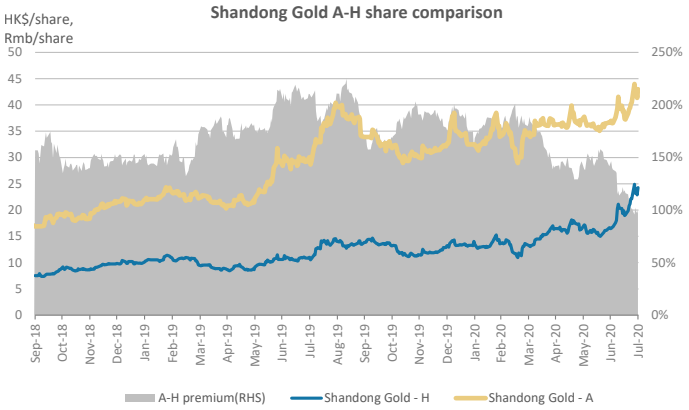
Key Assumptions		**Cost of Equity**	**7.9%**
Shares outstanding (mn)	3,299	Risk Free Rate	0.0%
Target D/(D+E)	30%	ERP	4.5%
Equity Weight	70%	Equity Beta	1.300
Debt Weight	30%	Country Premium	2.0%
WACC	**7%**	**Cost of Debt**	**3.7%**
Terminal growth	**3%**	Interest Rate	5.5%
		Tax rate	33%

DCF (Rmb mn)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
EBITDA	8,246	7,032	6,811	7,885	8,633	8,963	8,116	7,255	6,926	6,824
Net interest expense	(492)	(438)	(368)	(295)	(216)	(123)	(31)	45	108	164
Capex	(3,844)	(2,127)	(2,127)	(2,127)	(1,727)	(1,727)	(1,727)	(1,727)	(1,727)	(1,727)
Tax	(1,825)	(1,379)	(1,351)	(1,849)	(2,220)	(2,441)	(2,222)	(1,983)	(1,933)	(1,958)
FCF	2,086	3,088	2,964	3,615	4,470	4,672	4,137	3,589	3,374	3,303
Terminal (2040e)										
Discounting Factor	88%	83%	77%	73%	68%	64%	60%	56%	53%	50%
NPV	37,910	38,189	37,418	36,728	35,299	32,864	30,052	27,626	25,623	23,718
Terminal	23,059	24,581	26,203	27,933	29,777	31,742	33,837	36,071	38,451	40,989
EV	60,969	62,770	63,621	64,661	65,076	64,606	63,889	63,697	64,075	64,708
Net debt	4,096	4,366	4,654	4,961	5,289	5,638	6,010	6,407	6,830	7,280
Equity - 100%	56,873	58,404	58,967	59,700	59,787	58,968	57,879	57,290	57,245	57,427
Minority	2,209	2,355	2,510	2,676	2,852	3,041	3,241	3,455	3,683	3,927
Value of Shareholder's Equity	**54,664**	**56,049**	**56,457**	**57,024**	**56,934**	**55,927**	**54,638**	**53,835**	**53,562**	**53,501**
Share value (Rmb/shr)	**16.57**	**16.99**	**17.11**	**17.28**	**17.26**	**16.95**	**16.56**	**16.32**	**16.23**	**16.21**
Share value (HKD/shr)	**18.26**	**18.72**	**18.86**	**19.04**	**19.01**	**18.68**	**18.25**	**17.98**	**17.89**	**17.87**

Source: Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates

Exhibit 63:

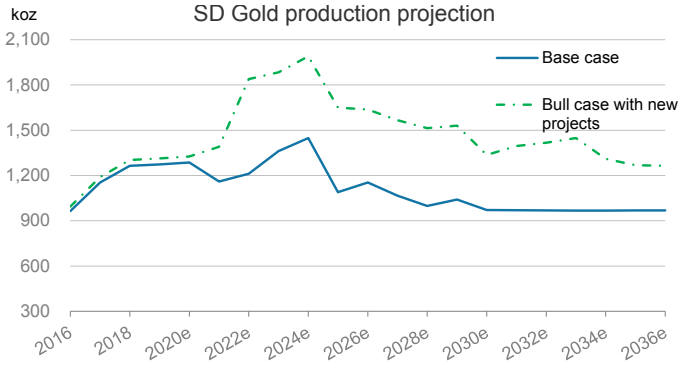
From current 100% premium, we expect Shandong Gold's A-H spread to return to its historical average of 63%



Source: Refinitiv, Morgan Stanley Research

Exhibit 64:

In our bull case, we have assumed newly acquired mines start to contribute from 2022 onwards



Source: Company data, Woodmac, Morgan Stanley Research estimates

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Zijin – sweet spot of gold and copper play

Our new price target for Zijin is set at HK$5.10 based on our probability weighted scenarios as follows:

Base case HK$4.30: We derive our base case from our DCF model which discounts our base-case earnings estimates through 2030, and then normalizes them by 8% WACC. We calculate our cost of equity assumption on an ERP of 5.6%, and a beta of 1.16. We assume a steady-state revenue growth rate of 1% p.a.

Bull case HK$6.29: We have modelled in our bull case a 2021e gold price of US$2010/oz. We have also built in contribution from Guyau from 2021e onwards. Gold production rises to 49.6ton in 2021e vs. our base case of 42.2ton.

Bear case HK$2.50: We maintain our bear case value unchanged with 2021e gold price at US$1485/oz and copper price at US$2.11/oz . Other assumptions stay unchanged. Under our bear case scenario, Zijin's 2020e gold production increases to 42.2 tons vs. 40.1 tons in our base case. Copper production is lowered to 400k tons in 2020 vs. 410k tons in our base case.

Our price target for Zijin-A is adjusted to Rmb4.83. This is implied from our Zijin-H price target of HK$5.10 assuming HKDCNY of 1.08 and 10% premium, which is the average level of mining majors under our coverage.

Exhibit 65:

Zijin DCF

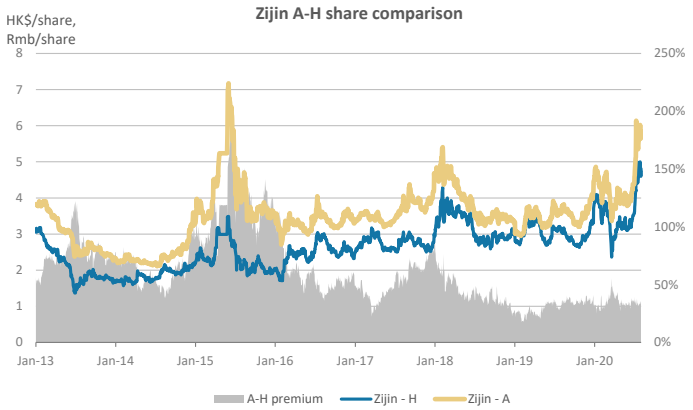
Key Assumptions			
Shares outstanding (mn)	25,377	Risk Free Rate	0.0%
Target D/(D+E)	20%	ERP	5.6%
Equity Weight	80%	Equity Beta	1.160
Debt Weight	20%	Country Premium	2.0%
WACC	8%	Cost of Debt	3.9%
Terminal growth	1%	Interest Rate	5.2%
		Tax rate	25%
		Cost of Equity	8%

DCF (Rmb mn)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
EBITDA	17,609	20,127	20,491	22,273	26,021	27,430	29,059	30,822	32,733	34,850
Net interest expense	(1,754)	(1,459)	(1,151)	(997)	(837)	(746)	(617)	(439)	(259)	(89)
Capex	(7,654)	(8,420)	(9,262)	(10,188)	(11,207)	(12,327)	(13,560)	(14,916)	(16,408)	(18,049)
Tax	(2,321)	(2,846)	(2,822)	(3,101)	(3,855)	(3,980)	(4,142)	(4,323)	(4,511)	(4,714)
FCF	5,879	7,401	7,256	7,987	10,122	10,377	10,739	11,144	11,555	11,998
Terminal (2030e)										185,568
Discounting Factor	97%	80%	75%	70%	65%	60%	56%	52%	48%	45%
NPV	59,883	65,664	62,260	59,146	55,011	48,269	40,745	32,266	22,713	11,998
Terminal	85,914	104,463	111,631	120,037	129,076	138,796	149,248	160,487	172,572	185,568
EV	145,797	170,126	173,891	179,183	184,087	187,065	189,993	192,753	195,285	197,566
Net debt	31,411	25,460	22,491	19,394	14,207	10,186	6,579	2,958	(482)	(3,742)
Equity - 100%	114,386	144,666	151,401	159,789	169,881	176,880	183,414	189,795	195,767	201,308
Minority	7,017	7,716	8,530	9,468	10,459	11,611	12,877	14,283	15,861	17,648
Value of Shareholder's Equity (Rmb m	**107,369**	**136,950**	**142,871**	**150,321**	**159,422**	**165,268**	**170,537**	**175,512**	**179,906**	**183,660**
Share value (Rmb/shr)	**4.23**	**5.40**	**5.63**	**5.92**	**6.28**	**6.51**	**6.72**	**6.92**	**7.09**	**7.24**
Share value (HKD/shr)	**4.28**	**5.46**	**5.70**	**6.00**	**6.36**	**6.59**	**6.80**	**7.00**	**7.18**	**7.33**

Source: Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates

Exhibit 66:

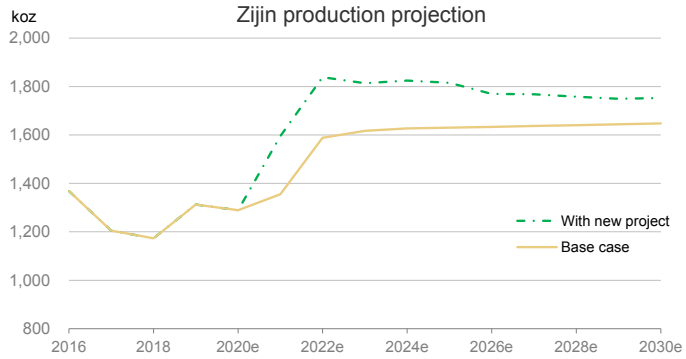
We expect Zijin's AH spread to narrow to 10%, in-line with the mining majors



Source: Refinitiv, Morgan Stanley Research

Exhibit 67:

Zijin production forecasts with newly acquired project in our bull case assuming approval to be received this year



Source: Company data, Morgan Stanley Research

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Zhongjin – declining production profile

Our new price target for Zhongjin is set at Rmb8.49 based on our probability weighted scenarios as follows:

Base case Rmb7.26: We derive our base case from our DCF model which discounts our base case earnings estimates through 2030, and then normalizes them by 7% WACC. We calculate our cost of equity assumption on an ERP of 5.2%, and a beta of 1.18. We assume a steady-state revenue growth rate of 2% p.a.

Bull case Rmb10.19: We have modelled in our bull case a 2021e gold price of US$2010/oz, unchanged vs. previous estimate. We assume production to stay flat compared to 4% decline in our base case.

Bear case Rmb5.58: We maintain our bear case value with 2021e gold price unchanged at US$1485/oz under our bear case scenario. Other assumptions stay unchanged – we assume 6% production decline vs. 4% decline in our base case.

Exhibit 68:

Zhongjin base case DCF

Key Assumptions			
Shares outstanding (mn)	3,451	Risk Free Rate	0.0%
Target D/(D+E)	25%	ERP	5.2%
Equity Weight	75%	Equity Beta	1.180
Debt Weight	25%	Country Premium	2.0%
WACC	**7%**	**Cost of Debt**	**3.4%**
Terminal growth	**2%**	Interest Rate	4.5%
		Tax rate	25%
		Cost of Equity	**8.1%**

DCF (Rmb mn)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
EBITDA	5,453	4,222	3,635	3,591	4,568	4,446	4,459	4,475	4,680	4,700
Net interest expense	(680)	(688)	(636)	(587)	(537)	(475)	(440)	(431)	(423)	(417)
Capex	(1,073)	(1,044)	(1,049)	(1,055)	(1,060)	(1,065)	(1,070)	(1,074)	(1,077)	(1,080)
Tax	(996)	(637)	(490)	(502)	(817)	(808)	(829)	(843)	(912)	(925)
FCF	2,704	1,853	1,461	1,447	2,153	2,098	2,120	2,127	2,268	2,277
Terminal (2030e)										47,341
Discounting Factor	87%	82%	77%	72%	67%	63%	59%	55%	51%	48%
NPV	15,381	13,553	12,508	11,810	11,079	9,542	7,958	6,241	4,398	2,277
Terminal	25,953	27,746	29,662	31,711	33,901	36,242	38,745	41,421	44,282	47,341
EV	41,334	41,299	42,170	43,521	44,980	45,784	46,703	47,663	48,680	49,618
Net debt	6,722	3,959	1,924	480	(1,365)	(3,329)	(5,190)	(7,046)	(9,043)	(11,026)
Equity - 100%	34,612	37,339	40,246	43,041	46,344	49,113	51,893	54,709	57,724	60,644
Minority	9,565	10,682	11,541	12,421	13,853	15,268	16,722	18,199	19,798	21,419
Value of Shareholder's Equity (Rmb	**25,047**	**26,658**	**28,705**	**30,620**	**32,492**	**33,845**	**35,172**	**36,509**	**37,925**	**39,225**
Share value (Rmb/shr)	**7.26**	**7.72**	**8.32**	**8.87**	**9.41**	**9.81**	**10.19**	**10.58**	**10.99**	**11.37**

Source: Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates

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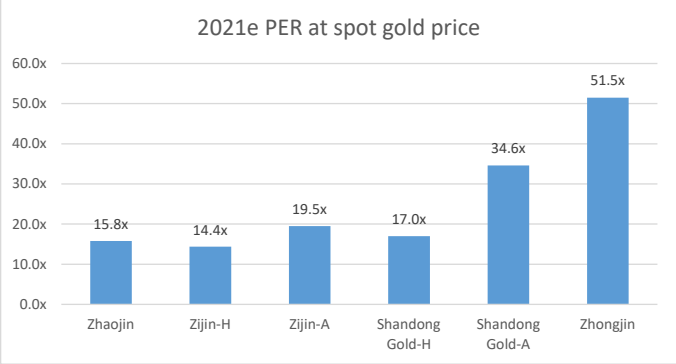
Re-rating supported by record high gold price

With the current gold price now well above Thomson Reuters consensus' 2020e estimate of US$1700/oz, we expect earnings revisions to be a positive catalyst for the stocks. China's gold miners are all highly sensitive to gold price moves. From the current PE range of 17x-64x, 2021e PE multiples come down notably to 14x-52x if we assume a spot gold price of US$2000/oz to be sustained. This brings the valuations to below their historical average levels.

Exhibit 69:

Implied valuations at spot gold price of US$2000/oz



Source: Morgan Stanley Research estimates

Exhibit 70:

Earnings sensitivity at varying gold prices

Zhaojin	Gold price (US$/oz)		
2021E	1,700	2,000	2,500
Net profit (Rmb mn)	1,229	1,763	2,845
EPS (Rmb/share)	0.38	0.55	0.88
PE	22.6x	15.8x	9.8x

Zijin-H	Gold price (US$/oz)		
	1,700	2,000	2,500
Net profit (Rmb mn)	6,377	7,487	9,730
EPS (Rmb/share)	0.25	0.30	0.38
PE	16.9x	14.4x	11.0x

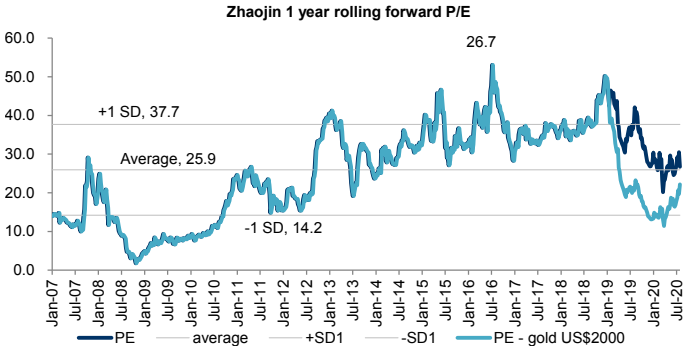
Shandong Gold-H	Gold price (US$/oz)		
2021E	1,700	2,000	2,500
Net profit (Rmb mn)	2,777	3,895	6,153
EPS (Rmb/share)	0.89	1.23	1.91
PE	23.5x	17.0x	10.9x

Zhongjin	Gold price (US$/oz)		
2021E	1,700	2,000	2,500
Net profit (Rmb mn)	608	753	1,100
EPS (Rmb/share)	0.18	0.22	0.32
PE	63.8x	51.5x	35.2x

Source: Morgan Stanley Research estimates

Exhibit 71:

Zhaojin PER range



Source: Thomson Reuters, Morgan Stanley Research estimates

Exhibit 72:

Zhongjin PER range

Source: Thomson Reuters, Morgan Stanley Research estimates

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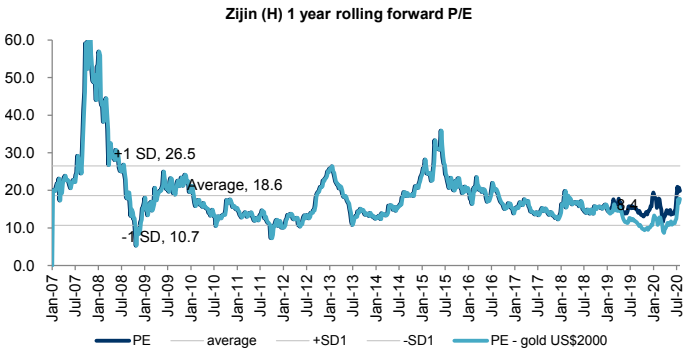
Exhibit 73:

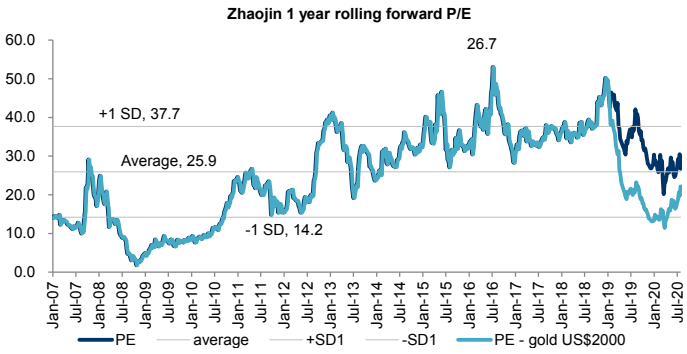
Zijin-H PER range



Source: Thomson Reuters, Morgan Stanley Research estimates

Exhibit 74:

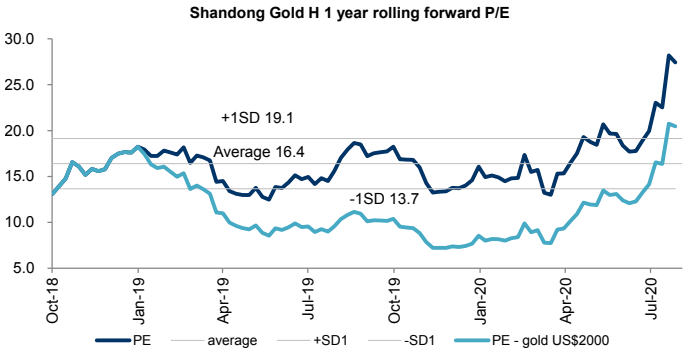
Zijin-A PER range



Source: Thomson Reuters, Morgan Stanley Research estimates

Exhibit 75:

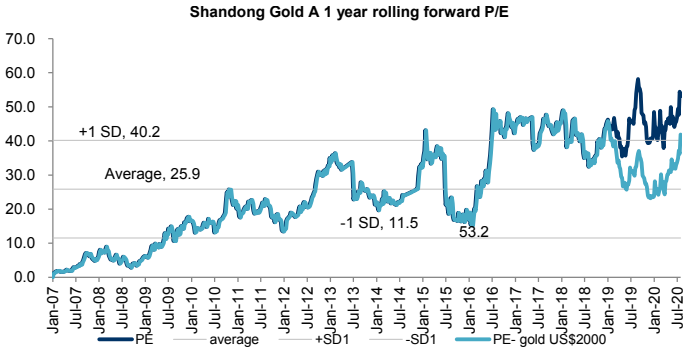
Shandong Gold-H PER range



Source: Thomson Reuters, Morgan Stanley Research estimates

Exhibit 76:

Shandong Gold-A PER range



Source: Thomson Reuters, Morgan Stanley Research estimates

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Exhibit 77:

Global gold comps

Global Precious Metals		Market Cap (USD mn)	PER 2019	PER 2020e	PER 2021e	EV/EBITDA 2019	EV/EBITDA 2020e	EV/EBITDA 2021e	PB 2019	PB 2020e	PB 2021e	Dividend yield 2019	Dividend yield 2020e	Dividend yield 2021e	ROE 2019	ROE 2020e	ROE 2021e
China Gold			**59.1**	**39.5**	**34.7**	**15.4**	**14.0**	**12.6**	**2.3**	**3.0**	**2.8**	**1.1%**	**1.1%**	**1.3%**	**6.2%**	**8.7%**	**9.7%**
1818.HK	Zhaojin	4,014	51.7	30.7 e	22.9 e	17.9	13.8 e	11.2 e	1.8	1.9 e	1.8 e	0.5%	0.9% e	1.2% e	3.6%	6.6% e	8.4% e
2899.HK	Zijin (H)	15,749	20.5	22.8 e	17.3 e	10.4	11.9 e	9.9 e	1.7	2.1 e	1.9 e	2.6%	2.1% e	2.4% e	10.6%	9.5% e	11.9% e
601899.SS	Zijin (A)	21,184	27.2	30.6 e	23.3 e	10.4	11.9 e	9.9 e	2.3	2.8 e	2.6 e	2.0%	1.6% e	1.8% e	10.6%	9.5% e	11.9% e
1787.HK	Shandong Gold (H)	18,650	24.3	27.6 e	26.0 e	20.7	18.0 e	17.2 e	1.6	2.9 e	2.6 e	1.0%	1.2% e	1.2% e	5.5%	11.4% e	11.0% e
600547.SS	Shandong Gold (A)	18,650	67.2	54.1 e	51.1 e	20.7	18.0 e	17.2 e	4.4	5.6 e	5.2 e	0.4%	0.6% e	0.6% e	5.5%	11.4% e	11.0% e
600489.SS	Zhongjin Gold	5,584	163.7	71.2 e	67.4 e	12.5	10.4 e	10.0 e	2.1	2.8 e	2.7 e	0.3%	0.5% e	0.5% e	1.3%	4.0% e	4.1% e
Australian Gold			**28.1**	**20.1**	**26.1**	**10.4**	**7.9**	**7.4**	**2.4**	**2.3**	**2.1**	**1.3%**	**1.2%**	**1.5%**	**10.2%**	**13.1%**	**13.2%**
AQG.AX	Alacer Gold *	2,273	30.7	18.4	18.0	11.3	7.4	6.9	2.1	1.9	1.6	0.0%	0.0%	0.0%	15.5%	15.2%	13.7%
PRU.AX	Perseus Mining *	1,290	NA	NA	NA	13.0	7.7	6.8	2.1	2.2	2.1	0.0%	0.0%	0.2%	0.8%	0.0%	8.7%
RRL.AX	Regis Resources	2,044	15.7	12.5 e	11.2 e	8.0	6.3 e	5.6 e	3.7	3.4	2.9	4.0%	3.1%	3.0%	26.7%	29.5% e	26.7%
EVN.AX	Evolution Mining	7,233	33.9	22.6 e	39.0 e	10.1	9.5 e	12.4 e	3.1	4.0	3.7	2.1%	2.1%	2.2%	9.6%	17.7% e	10.2% e
IGO.AX	Independence Group	1,955	39.5	21.6 e	71.3 e	7.4	5.8 e	7.2 e	1.5	1.4	1.3	0.6%	0.6%	2.1%	3.9%	7.2% e	2.0% e
NCM.AX	Newcrest Mining	20,651	31.0	26.0 e	20.1 e	10.5	10.9 e	8.6 e	2.3	2.3	2.1	1.0%	1.1%	1.0%	7.5%	8.7% e	11.5% e
RSG.AX	Resolute Mining *	1,031	20.3	9.5	6.7	13.6	6.2	5.2	2.6	1.7	1.5	1.4%	1.7%	1.6%	-10.6%	21.9%	24.1%
OZL.AX	OZ Minerals *	3,183	25.9	30.4	16.3	9.6	9.3	6.6	1.5	1.5	1.4	1.5%	1.3%	1.6%	7.8%	4.8%	8.6%
North American Gold			**69.7**	**34.5**	**24.3**	**16.5**	**12.9**	**10.4**	**2.2**	**2.1**	**2.0**	**0.3%**	**0.5%**	**0.5%**	**9.7%**	**6.3%**	**9.0%**
Senior gold producers																	
AEM	Agnico Eagle Mines *	19,217	81.8	48.8	27.3	19.3	14.9	10.2	3.9	3.6	3.3	0.7%	1.0%	1.0%	15.3%	7.7%	12.5%
GOLD.K	Barrick Gold *	51,281	58.2	34.7	27.1	13.3	10.5	9.2	2.8	2.3	2.2	0.6%	0.9%	0.8%	43.8%	7.3%	8.2%
EGO	Eldorado Gold *	2,185	202.3	13.4	17.5	10.4	4.7	5.6	0.6	0.6	0.6	0.0%	0.0%	0.0%	3.4%	4.5%	3.3%
IAG	IAMGOLD *	2,358	NM	23.9	11.9	8.3	4.8	3.3	0.9	1.0	0.9	0.0%	0.0%	0.0%	-12.9%	3.9%	8.0%
KGC	Kinross Gold *	11,724	30.4	15.1	13.6	9.6	6.6	5.8	2.4	2.0	1.7	0.0%	0.0%	0.0%	19.6%	14.2%	13.2%
NEM	Newmont Mining *	55,573	53.1	31.2	20.1	15.8	10.8	8.5	2.4	2.5	2.3	0.8%	1.4%	1.5%	23.1%	7.8%	11.8%
AUY	Yamana Gold *	6,169	52.3	27.1	19.8	9.2	8.5	6.7	2.0	1.4	1.4	0.4%	0.9%	1.0%	7.6%	6.0%	7.0%
Mid-tier gold producers																	
AGI	Alamos Gold *	4,135	51.6	28.4	17.0	13.9	11.2	7.5	1.6	1.5	1.4	0.4%	0.5%	0.5%	4.9%	5.4%	8.5%
DGC.TO	Detour Gold *	3,091	38.4	30.1	19.8	NA	NA	NA	1.5	1.4	1.3	0.0%	0.0%	0.0%	NULL	6.3%	8.8%
NGD	New Gold *	1,108	NM	NA	14.3	6.5	6.8	3.9	1.3	1.2	1.1	0.0%	0.0%	0.0%	-7.8%	-3.7%	8.0%
Royalty & Streaming companies																	
FNV	Franco Nevada *	30,402	93.2	69.8	60.6	46.0	38.9	33.8	6.1	6.0	5.6	0.6%	0.6%	0.6%	8.4%	8.6%	9.6%
WPM	Wheaton PM *	24,270	96.6	57.6	48.1	44.7	34.8	30.4	4.6	4.5	4.2	0.6%	0.7%	0.9%	1.5%	7.9%	9.0%
Russian Gold			**17.1**	**13.0**	**11.5**	**12.9**	**9.1**	**8.2**	**3.9**	**4.3**	**3.7**	**2.6%**	**4.5%**	**3.2%**	**32.0%**	**45.8%**	**43.3%**
POLYP.L	Polymetal International	11,701	17.1	13.0 e	11.5 e	12.9	9.1	8.2	3.9	4.3	3.7	2.6%	4.5%	3.2%	32.0%	45.8% e	43.3% e
South African Gold			**18.9**	**22.9**	**11.2**	**7.5**	**7.1**	**5.5**	**2.1**	**3.2**	**2.5**	**1.5%**	**0.2%**	**0.5%**	**15.4%**	**18.8%**	**27.0%**
PANJ.J	Pan African	624	18.1	9.6	5.1	13.8	7.7	4.9	NA	NA	NA	0.0%	0.0%	0.0%	28.0%	NA	NA
GFIJ.J	Gold Fields	11,731	16.5	18.6 e	17.0 e	5.1	7.3 e	6.5 e	2.0	3.4	2.7	NA	NA	1.6%	NA	22.7% e	21.3% e
ANGJ.J	AngloGold	13,793	25.4	17.6 e	14.0 e	7.6	8.0 e	6.4 e	3.6	3.9	3.1	0.6%	0.6%	0.5%	14.0%	30.0% e	30.6% e
HARJ.J	Harmony	3,959	15.6	45.6 e	8.6 e	3.5	5.5 e	4.2 e	0.8	2.3	1.8	3.9%	0.0%	0.0%	4.2%	3.7% e	29.2% e
	Average		***50.1***	***29.7***	***24.8***	***13.9***	***11.2***	***9.7***	***2.4***	***2.6***	***2.3***	***1.0%***	***0.9%***	***1.0%***	***9.8%***	***11.2%***	***13.2%***
	Median		***32.5***	***27.3***	***19.8***	***11.3***	***9.3***	***7.5***	***2.1***	***2.3***	***2.1***	***0.6%***	***0.7%***	***0.8%***	***7.5%***	***7.8%***	***10.6%***

Source: Thomson Reuters, Morgan Stanley Research, e=Morgan Stanley estimates; *Thomson Reuters consensus.

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Zhaojin Mining – Financial summary

Exhibit 78:

Zhaojin Mining: Financial Summary

Assumptions	2018	2019	2020e	2021e	2022e
Mined gold volume (t)	18.3	17.4	17.3	17.3	21.7
ASP (Rmb/g)	275	308	399	401	346
Cash cost (Rmb/g)	98	109	115	117	118
Volume (k.oz)	627	636	627	627	697
ASP (US$/oz)	1,269	1,394	1,735	1,753	1,538
Cash cost (US$/oz)	459	493	505	516	532
Rmb/US$	6.6	6.9	7.1	7.1	6.9

Income Statement (Rmb mn)	2018	2019	2020e	2021e	2022e
Net Sales	7,177	6,330	8,224	8,277	8,028
Gross Profit	2,482	2,290	3,926	4,042	3,994
SG&A	-997	-1,011	-1,279	-1,142	-1,188
EBITDA	2,131	2,151	3,209	3,706	3,684
EBIT	1,114	1,130	2,202	2,625	2,540
Net Financing Costs	-481	-662	-787	-827	-827
Pre-tax Profit	757	596	1,579	2,013	1,983
Net Profit	474	479	1,023	1,229	1,211

Per Share Data (Rmb)	2018	2019	2020e	2021e	2022e
ModelWare EPS (Rmb)	0.15	0.15	0.32	0.38	0.38
ModelWare EPS (HK$)	0.17	0.17	0.36	0.43	0.42
DPS	0.04	0.04	0.09	0.10	0.10
BVPS	4.13	4.33	4.56	4.84	5.12

Cash Flow (Rmb mn)	2018	2019	2020e	2021e	2022e
EBITDA	2,131	2,151	3,209	3,706	3,684
-Taxes Paid	-191	-155	-417	-532	-524
-Net Financial	-380	-487	-577	-563	-507
-Working Capital & Other	-1,200	-707	-294	60	202
Others	1,347	977	875	747	602
Operating Cash Flow	**1,706**	**1,780**	**2,796**	**3,419**	**3,457**
Capex	-1,652	-1,404	-1,727	-1,490	-1,445
FCF	**54**	**376**	**1,069**	**1,929**	**2,012**
Disposals of PPE	34	3	0	0	0
Acquisition of subsidiaries	-515	-72	0	0	0
Investing Cash Flow	**-3,030**	**-2,212**	**-1,517**	**-1,225**	**-1,125**
Debt raised	1,511	3,685	800	0	0
Dividends	-314	-180	-276	-332	-327
Other	-602	-726	-897	-937	-937
Financing Cash Flow	**595**	**2,778**	**-373**	**-1,269**	**-1,264**
Net changes in cash	**-729**	**2,346**	**906**	**925**	**1,068**

Balance Sheet (Rmb mn)	2018	2019	2020e	2021e	2022e
Cash & equivalents	1,143	3,508	4,414	5,339	6,406
Receivables	145	142	185	186	181
Inventory	4,191	4,310	4,586	4,518	4,304
PPE	14,221	14,989	15,784	16,268	16,644
Investment securities (LT)	904	1,172	1,172	1,172	1,172
Other assets	15,282	16,130	16,163	16,099	15,962
Total Assets	**35,887**	**40,252**	**42,304**	**43,582**	**44,668**
Payables (ST and LT)	525	368	392	386	368
Borrowings	8,602	8,775	9,575	9,575	9,575
Other Liabilties	9,953	13,746	14,088	14,224	14,196
Total Liabilities	**19,080**	**22,889**	**24,055**	**24,185**	**24,139**
Net Assets	**16,808**	**17,363**	**18,249**	**19,398**	**20,529**
Shareholders Equity	13,298	13,950	14,696	15,593	16,477
Minority Interest	3,509	3,413	3,553	3,804	4,052
Total Liabilities and Equity	**35,887**	**40,252**	**42,304**	**43,582**	**44,668**

Valuation Multiples (x)	2018	2019	2020e	2021e	2022e
P/E	47.4	38.9 e	22.1 e	19.4 e	13.1 e
P/BV	1.7	1.8 e	1.6 e	1.5 e	1.4 e
EV/Sales	5.0	4.9 e	4.2 e	4.3 e	3.8 e
EV/EBITDA	16.8	15.4 e	11.4 e	10.1 e	7.7 e
FCF Yield	(3.4%)	(1.1%) e	1.1% e	4.6% e	7.6% e
Dividend Yield	0.6%	0.7% e	1.2% e	1.4% e	2.1% e

Profitability Ratios	2018	2019	2020e	2021e	2022e
ROE (average)	3.6%	4.7% e	7.5% e	8.0% e	11.1% e
EBITDA Margin	29.7%	34.0%	39.0%	44.8%	45.9%
EBIT Margin	15.5%	17.9%	26.8%	31.7%	31.6%
Pre-tax Margin	10.5%	9.4%	19.2%	24.3%	24.7%
Net Margin	6.6%	7.6%	12.4%	14.8%	15.1%

Balance Sheet Ratios	2018	2019	2020e	2021e	2022e
Net Debt (Cash) - Rmb mn	13,610	15,083	14,977	14,052	12,985
Net Debt / Equity %	102.3%	108.1%	101.9%	90.1%	78.8%
Interest Cover (EBITDA) (x)	4.4	3.2	4.1	4.5	4.5

Sensitivity analysis of 1% change in gold price	2020e	2021e	2022e
EBIT	-0.2%	-7.1%	31.1%
EBITDA	3.1%	-1.8%	24.9%
EPS	6.5%	0.4%	50.4%

Quarterly EPS trend					
EPS (Rmb)	**1Q**	**2Q**	**3Q**	**4Q**	**FY**
2019e	0.04	0.03	0.03	0.05	0.15
2020e	0.03	0.10	0.08	0.14	0.32
YoY change % (2020e)	**-39%**	**215%**	**218%**	**170%**	**113%**

Source: Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates

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Risk Reward – Zhaojin Mining Industry (1818.HK)

Steady cost control and Haiyu project's potential volume and cost improvements

PRICE TARGET HK$11.98

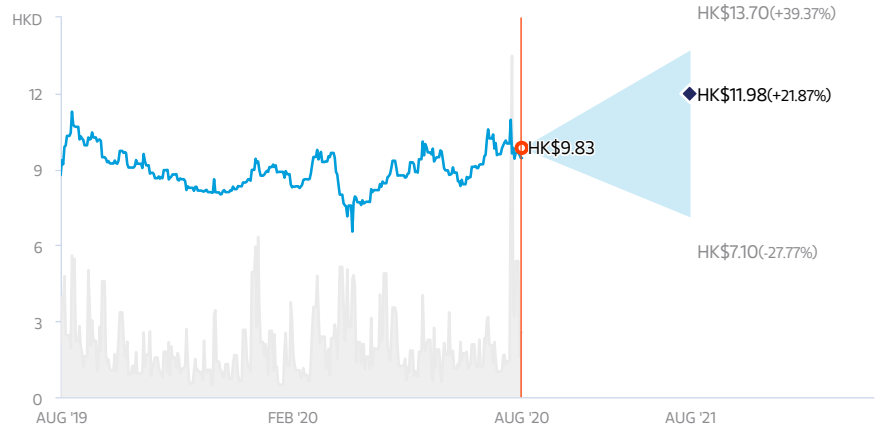
PT based on the probability weightings of 45%/50%/5% on bull/base/bear scenarios. Higher bull case weighting as we see increasing likelihood for the gold price to reach our bull case. DCF discounts our earnings estimates through 2030, and then normalizes them by our cost of equity of 8%. We calculate our cost of equity assumption on a risk-free rate of 0%, an ERP of 5.6%, and a beta of 1.16. We assume a steady-state revenue growth rate of 1% p.a.

Consensus Price Target Distribution HK$9.03 — HK$10.97 — MS PT — HK$13.05

◆ Mean ◆ Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

Source: Thomson Reuters, Morgan Stanley Research

OVERWEIGHT THESIS

- Zhaojin's valuation has a high correlation with the gold price at >80%. It is a pure gold play, with 85% of gross profit contribution from gold.
- Compared with its peers, Zhaojin has managed to maintain its costs at a stable level. Management expects future costs to be steady.
- The Haiyu Gold mine, when reaching its full capacity, is guided to contribute 502k oz. of self-mined gold per year, +80% from the 2019 level, at a cost of around Rmb100/g.

Consensus Rating Distribution

78% Overweight
22% Equal-weight
0% Underweight

MS Rating

Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Macroeconomics:	*Positive*
Regulation:	*Positive*

View descriptions of Risk Rewards Themes, here

BULL CASE HK$13.70

2.9x 2020e P/B

Gold price surges: The impact of COVID-19 on the economy is larger than our expectation, which supports a higher gold price vs. our base case. 1) Morgan Stanley's bull case gold at US$2,010/oz in 2021e; 2) the company acquires 1tpa of gold resources; 3) organic growth is the same as in our base case.

BASE CASE HK$10.92

2.7x 2020e P/B

Gold price increases significantly; production expansion and modest resource acquisition: 1) Morgan Stanley's base case gold prices at US$1,748/oz in 2021e; 2) acquisition growth of 0.5tpa.

BEAR CASE HK$7.10

1.6x 2020e P/B

Gold price increases, and no resource acquisition: USD strength and accelerating Fed rate hikes bring gold price to our bear case. 1) Morgan Stanley's bear case gold at US$1,485/oz in 2021e; 2) excludes acquisition growth of 0.5tpa; 3) operational cost increase larger than expected.

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Risk Reward – Zhaojin Mining Industry (1818.HK)

KEY EARNINGS INPUTS

Drivers	2019	2020e	2021e	2022e
Gold belong to ZJ (t)	19.8	19.5	19.5	21.7
Price in RMB per gram	307.9	398.8	401.2	345.8
Cash cost (Rmb/g)	109.4	115.0	117.0	118.4

CATALYST CALENDAR

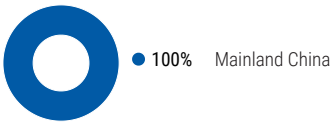
Date	Event
21 Aug 2020 - 25 Aug 2020	Half Year 2020 Zhaojin Mining Industry Co Ltd Earnings Release
14 Oct 2020 - 19 Oct 2020	Q3 2020 Zhaojin Mining Industry Co Ltd Earnings Release

Source: Thomson Reuters, Morgan Stanley

INVESTMENT DRIVERS

- Holding inventory on speculation of higher gold price later on
- Significant accretive acquisitions

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies, here

MS ALPHA MODELS

5/5 MOST — 3 Month Horizon

Source: Thomson Reuters, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

1) Stronger-than-expected gold price that moves the share price toward our bull case;
2) Further RMB depreciation;
3) Production volume increase higher-than-expected.

RISKS TO DOWNSIDE

1) Falling gold price amid US dollar strength;
2) Execution risk in new projects;
3) Increased borrowings lead to higher finance costs and weigh on near-term earnings.

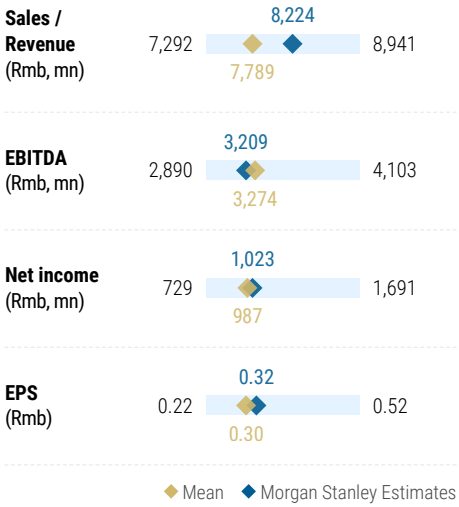
OWNERSHIP POSITIONING

Inst. Owners, % Active 45.2%

Source: Thomson Reuters, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2020e



Source: Thomson Reuters, Morgan Stanley Research

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Shandong Gold – Financial summary

Exhibit 79:

Shandong Gold: Financial Summary

Income Statement	2018	2019	2020E	2021E	2022E
Sales	**56,250**	**62,613**	**65,776**	**64,303**	**62,869**
Cost of sales	(52,214)	(57,602)	(57,391)	(56,322)	(56,370)
S, G & A	(1,573)	(1,957)	(2,171)	(2,088)	(2,056)
DD&A	(2,300)	(2,677)	(2,847)	(2,889)	(2,918)
Other income	(53)	(188)	(605)	(536)	(329)
EBITDA	**4,711**	**5,544**	**8,457**	**8,246**	**7,032**
EBIT	**2,411**	**2,867**	**5,610**	**5,357**	**4,114**
Interest income	68	71	72	30	40
Interest expenses	(936)	(867)	(898)	(522)	(479)
Associates	38	1	1	1	1
Pre tax profit	**1,580**	**2,073**	**4,785**	**4,867**	**3,677**
Tax	(559)	(660)	(1,627)	(1,825)	(1,379)
Minority interest	(56)	(122)	(272)	(262)	(198)
Net Profit	**1,021**	**1,412**	**3,158**	**3,042**	**2,298**
Net profit to equity shareholders	**964**	**1,291**	**2,886**	**2,779**	**2,100**
Normalized net profit	**696**	**1,145**	**3,096**	**2,929**	**2,140**
EPS (Rmb/share)	**0.50**	**0.49**	**0.87**	**0.84**	**0.64**
Normalized EPS (Rmb/share)	**0.36**	**0.43**	**0.94**	**0.89**	**0.65**
Dividend	221	358	802	772	583
YoY growth %					
Revenue	10%	11%	5%	-2%	-2%
EBIT	13%	19%	96%	-5%	-23%
Pretax profit	-2%	31%	131%	2%	-24%
Net income	-14%	34%	124%	-4%	-24%
EBIT margin	4.3%	4.6%	8.5%	8.3%	6.5%
PBT margin	2.8%	3.3%	7.3%	7.6%	5.8%
Net margin	1.7%	2.1%	4.4%	4.3%	3.3%

Balance Sheet	2018	2019	2020E	2021E	2022E
Current Assets	**9,044**	**10,362**	**7,096**	**7,437**	**9,365**
Cash & cash equivalents	2,636	3,019	1,129	1,584	3,552
Receivables	2,192	1,917	2,014	1,969	1,925
Others	4,217	5,426	3,954	3,885	3,888
Non Current Assets	**45,516**	**48,487**	**46,738**	**47,146**	**45,808**
Fixed assets	23,507	26,029	24,207	24,429	22,907
Others	22,009	22,457	22,531	22,717	22,901
TOTAL ASSETS	**54,560**	**58,849**	**53,834**	**54,583**	**55,173**
Current Liabilities	**20,963**	**24,906**	**21,996**	**21,090**	**20,445**
Accounts payable	6,173	5,448	3,616	3,549	3,552
Bank loans	3,697	6,030	4,837	3,883	3,120
Others	11,093	13,427	13,543	13,658	13,773
Non-current Liabilities	**7,923**	**7,875**	**7,435**	**7,083**	**6,802**
LT loans	2,747	2,199	1,759	1,408	1,126
Others	5,176	5,676	5,676	5,676	5,676
TOTAL LIABILITIES	**28,886**	**32,780**	**29,431**	**28,173**	**27,246**
Net Assets	**25,674**	**26,068**	**24,403**	**26,410**	**27,927**
Equity to owners of company	**23,731**	**23,208**	**25,292**	**27,299**	**28,816**
Minority interest	1,944	2,860	2,860	2,860	2,860
SHAREHOLDERS EQUITY	**25,674**	**26,068**	**28,153**	**30,160**	**31,676**
Net debt / (cash) (Rmb mn)	3,604	4,967	5,225	3,464	450
Net debt to equity (%)	**14%**	**19%**	**19%**	**11%**	**1%**

Key assumptions	2018	2019	2020E	2021E	2022E
USDCNY	6.62	6.91	7.08	7.05	6.92
Gold price (US$/oz)	1,269	1,391	1,735	1,753	1,538
ASP (Rmb/g)	270	309	397	400	344
Mined gold production (ton)	**39.3**	**37.6**	**40.0**	**36.1**	**37.7**
China	30.7	30.4	31.8	28.5	30.0
Overseas	8.7	7.3	8.2	7.6	7.7
Ore grade (g/t)	**1.89**	**1.80**	**1.88**	**1.76**	**1.90**
China	2.92	2.89	3.31	3.36	3.24
Overseas	0.84	0.69	0.70	0.63	0.69
Unit cash cost (Rmb/g)	159	136	117	108	105
ASIC (Rmb/g)	205	167	147	142	133
Unit cash cost (US$/oz)	748	611	514	477	473
AISC (US$/oz)	966	752	648	628	597

Cash Flow Statement	2018	2019	2020E	2021E	2022E
EBITDA	**4,711**	**5,544**	**8,457**	**8,246**	**7,032**
Cash interest paid	(460)	(575)	(580)	(256)	(211)
Tax paid	(544)	(660)	(1,627)	(1,825)	(1,379)
Gross Cash Flow	**3,707**	**4,309**	**6,250**	**6,165**	**5,442**
Chg in working capital	(1,179)	(821)	(1,991)	54	43
Operating Cash Flow	**2,871**	**4,652**	**5,438**	**7,041**	**6,281**
Capex	(4,407)	(3,844)	(3,844)	(3,844)	(2,127)
Free Cash Flow	**(1,536)**	**809**	**1,595**	**3,198**	**4,154**
Borrowings	(4,886)	1,731	(1,633)	(1,306)	(1,045)
Dividends paid	(247)	(480)	(1,074)	(1,034)	(781)
IPO proceeds	5,619	1,500	0	0	0
Others	562	11,235	(778)	(402)	(359)
Net Cash Flow	**(489)**	**13,295**	**(1,890)**	**455**	**1,969**
Free Cash Flow per share (Rmb)	**(0.79)**	**0.30**	**0.48**	**0.97**	**1.26**

Source: Company data, Morgan Stanley Research (e) estimates

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Risk Reward – Shandong Gold Mining Co. Ltd (1787.HK)

Upside from higher for longer gold price and new volumes

PRICE TARGET HK$24.45

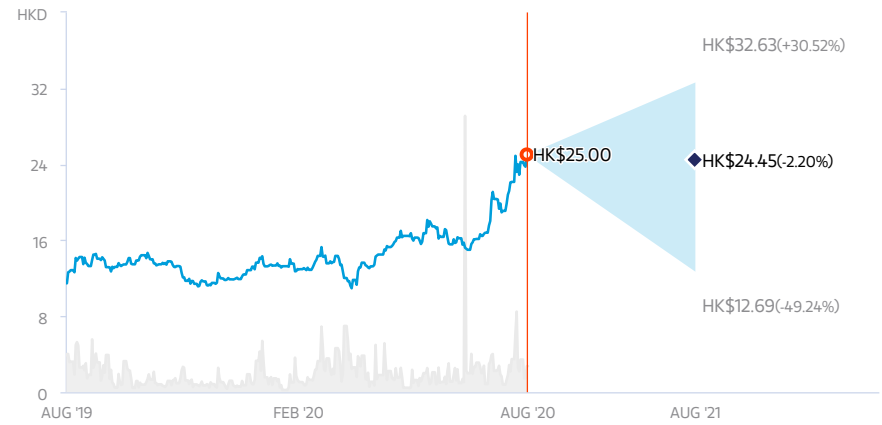
PT based on the probability weightings of 45%/50%/5% on bull/base/bear scenarios. Higher weighting to bull case as we see increasing likelihood for the gold price to reach our bull case. DCF discounts our earnings estimates through 2030, and then normalizes them by 7% WACC. We calculate our cost of equity assumption on an ERP of 4.5%, and a beta of 0.9. We assume a steady-state revenue growth rate of 3% p.a.

Consensus Price Target Distribution HK$18.42 — HK$20.90 — MS PT — HK$25.77

Source: Thomson Reuters, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Thomson Reuters, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- Being the largest pure gold producer in China, Shandong Gold enjoys scalable mine operations and high sensitivity to gold prices.
- With a strong balance sheet, the company has consistently paid dividends since its' A share listing in 2003.
- Under our bull case scenario, Shandong Gold has the most upside from newly acquired volumes which we estimate 3% 2019-22e CAGR for gold production.
- If it were to occur, potential inclusion into GDM, the benchmark index for GDX ETF, would be an added catalyst for the stock.

Consensus Rating Distribution

83%	Overweight
17%	Equal-weight
0%	Underweight

● MS Rating

Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Earnings Quality:	*Negative*
Macroeconomics:	*Positive*
Regulation:	*Positive*

View descriptions of Risk Rewards Themes, here

BULL CASE HK$32.63

implies 3.9x 2020e BVPS

Our bull case assumes a gold price of US$2,010/oz in 2021e vs. our base case of US$1,748/oz. In this scenario, we also assume no depletion at domestic and overseas mines. Achieved production is 42 tons.

BASE CASE HK$18.26

implies 2.2x 2020e BVPS

We use Morgan Stanley Research's base-case 2021 gold price forecast of US$1,748/oz. Production increases moderately to 36 tons, mainly on the drag of lower grades with the newly acquired Veladero mine.

BEAR CASE HK$12.69

implies 1.5x 2020e BVPS

We use Morgan Stanley Research's bear-case 2021 gold price forecast of US$1,485/oz. We have modeled in production falling to 33 tons, mainly from deterioration in gold grades in Argentina. Costs are accordingly higher at Rmb133/g vs. Rmb129/g in our base case.

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Risk Reward – Shandong Gold Mining Co. Ltd (1787.HK)

KEY EARNINGS INPUTS

Drivers	2019	2020e	2021e	2022e
USD/CNY exchange rate	6.9	7.1	7.0	6.9
Price in US$ per oz	1,391.3	1,734.6	1,752.5	1,537.5
Silver price (Rmb/g)	153.1	213.4	221.7	203.5

CATALYST CALENDAR

Source: Thomson Reuters, Morgan Stanley

Date	Event
25 Aug 2020	Shandong Gold Mining Co Ltd Extraordinary Shareholders Meeting
28 Aug 2020	Q2 2020 Shandong Gold Mining Co Ltd Earnings Release

INVESTMENT DRIVERS

Gold price is the biggest driver of earnings

Execution on production, especially after the Veladero acquisition

Cost control for China and overseas

GLOBAL REVENUE EXPOSURE

0-10% North America
90-100% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies, here

MS ALPHA MODELS

4/5 MOST — 3 Month Horizon

Source: Thomson Reuters, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

1) Stronger-than-expected gold price that moves the share price towards our bull case.
2) Further RMB depreciation.
3) Production upside from China or overseas operations.

RISKS TO DOWNSIDE

1) Stronger RMB, which would be negative for Shandong Gold's earnings.
2) Execution risks on Veladero mine.
3) Overall mine grade dropping further.

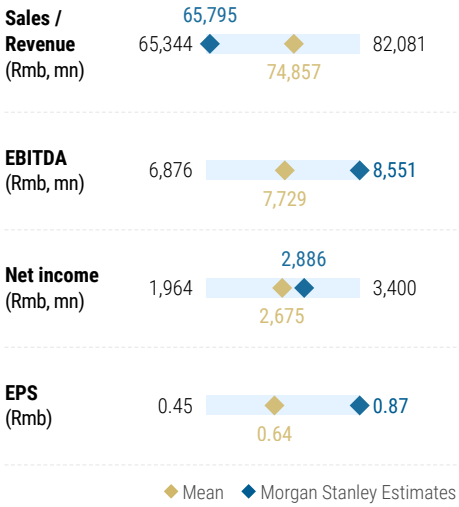
OWNERSHIP POSITIONING

Inst. Owners, % Active 96.7%

Source: Thomson Reuters, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2020e



Source: Thomson Reuters, Morgan Stanley Research

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Risk Reward – Shandong Gold Mining Co. Ltd (600547.SS)

Wide AH spread not unjustified; UW

PRICE TARGET Rmb35.13

We derive our A-share price target from our H-share price target, assuming 63% premium and CNY/HKD exchange rate of 1.106. This has been the average A/H premium since the company was listed on HKEx in 2018.

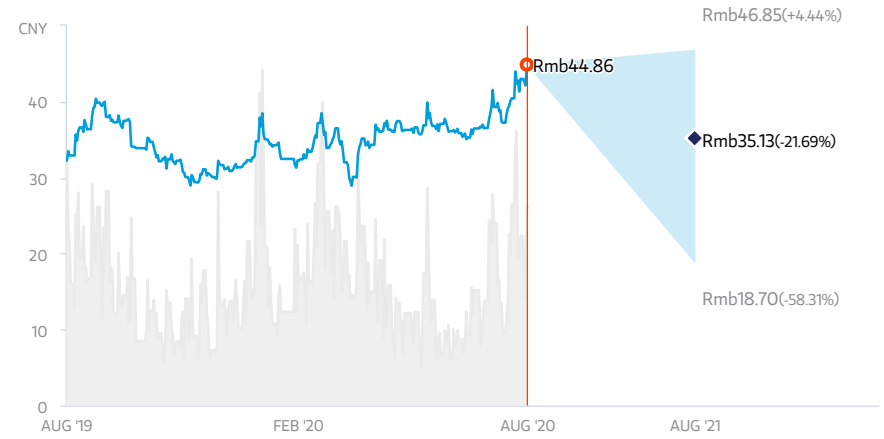
Consensus Price Target Distribution Rmb26.90 — Rmb45.30 — Rmb56.00

MS PT

◆ Mean ◆ Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

RISK REWARD CHART



Key: — Historical Stock Performance ◆ Current Stock Price ◆ Price Target

Source: Thomson Reuters, Morgan Stanley Research

UNDERWEIGHT THESIS

- As the largest pure gold producer in China, Shandong Gold enjoys scalable mine operations and high sensitivity to gold prices.
- With a strong balance sheet, the company has consistently paid dividends since its 2003 A-share listing.
- However, we are Underweight the A-shares given their rich valuation premium of 63% to the H-shares.

Consensus Rating Distribution

92% Overweight
0% Equal-weight
8% Underweight
MS Rating

Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Earnings Quality:	*Negative*
Macroeconomics:	*Positive*
Regulation:	*Positive*

View descriptions of Risk Rewards Themes, here

BULL CASE Rmb46.85

6.0x 2020e BVPS

Our bull case assumes a gold price of US$2,010/oz in 2021 vs. our base case of US$1,748/oz. In this scenario, we also assume no depletion at domestic and overseas mines. Achieved production is 42 tons.

BASE CASE Rmb26.21

3.4x 2020e BVPS

We use Morgan Stanley Research's base-case 2021 gold price forecast of US$1,748/oz. Production increases moderately to 36 tons, mainly on the drag of lower grades with the newly acquired Veladero mine.

BEAR CASE Rmb18.70

2.4x 2020e BVPS

We use Morgan Stanley Research's bear-case 2021 gold price forecast of US$1,485/oz. We have modeled in production falling to 33 tons, mainly from deterioration in gold grades in Argentina. Costs are accordingly higher at Rmb133/g vs. Rmb129/g in our base case.

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Risk Reward – Shandong Gold Mining Co. Ltd (600547.SS)

KEY EARNINGS INPUTS

Drivers	2019	2020e	2021e	2022e
USD/CNY exchange rate	6.9	7.1	7.0	6.9
Price in US$ per oz	1,391.3	1,734.6	1,752.5	1,537.5
Silver price (Rmb/g)	153.1	213.4	221.7	203.5

CATALYST CALENDAR

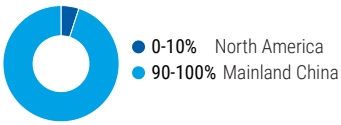
Date	Event
25 Aug 2020	Shandong Gold Mining Co Ltd Extraordinary Shareholders Meeting
28 Aug 2020	Q2 2020 Shandong Gold Mining Co Ltd Earnings Release

Source: Thomson Reuters, Morgan Stanley

INVESTMENT DRIVERS

- A stronger RMB is negative for Shandong Gold's earnings.
- Convergence of A/H differential via Stock Connect would narrow its A-share premium vs. H-shares.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies, here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

Source: Thomson Reuters, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

1) Stronger-than-expected gold price that moves the share price toward our bull case.
2) Further RMB depreciation.
3) Production upside from China or overseas operations.

RISKS TO DOWNSIDE

1) Stronger RMB, which would be negative for Shandong Gold's earnings.
2) Execution risks on Veladero mine.
3) Overall mine grade dropping further.

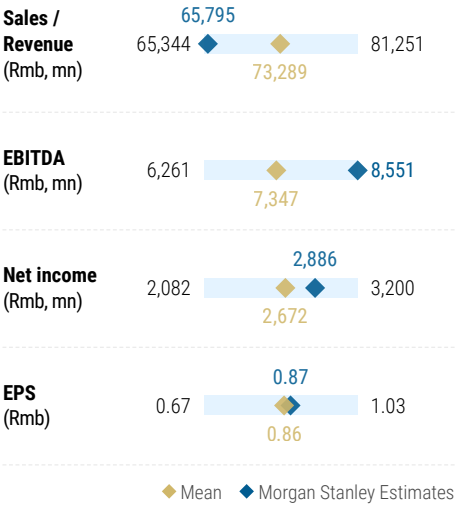
OWNERSHIP POSITIONING

Inst. Owners, % Active 86.6%

Source: Thomson Reuters, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2020e



Source: Thomson Reuters, Morgan Stanley Research

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Zijin Mining – Financial summary

Exhibit 80:

Zijin Mining: Financial Summary

Key Drivers	2018	2019	2020e	2021e	2022e
Mined gold output volume (ton)	36.5	40.8	40.1	42.2	49.4
Copper concentrate volume (kt)	249	371	410	545	746
Zinc concentrate volume (kt)	278	374	401	401	401
Gold price (US$/oz)	1,269	1,387	1,735	1,753	1,538
Copper price (US$/lb)	3.0	2.7	2.7	2.8	2.6
Zinc price (US$/lb)	1.33	1.14	0.91	0.89	0.92

Income Statement (Rmb mn)	2018	2019	2020e	2021e	2022e
Under PRC GAAP					
Net Sales	**104,395**	**134,224**	**139,975**	**148,570**	**145,477**
Gross Profit	11,744	13,641	14,700	17,151	18,440
EBITDA	11,445	14,085	15,382	17,609	20,127
EBIT	7,011	8,345	9,658	10,692	12,519
Finance cost	(1,605)	(1,967)	(2,562)	(2,393)	(2,151)
Pre-tax Profit	6,130	6,974	7,756	9,285	11,385
Net Profit	**4,094**	**4,284**	**5,277**	**6,381**	**7,839**
EPS (Rmb)	0.18	0.18	0.21	0.25	0.31
DPS (Rmb)	0.10	0.10	0.11	0.14	0.17
BVPS (Rmb)	1.76	2.02	2.13	2.27	2.44
Under IFRS					
Gross Profit	11,744	13,641	14,700	17,151	18,440
SG&A	(4,127)	(4,740)	(5,004)	(6,012)	(5,887)
EBITDA	**12,051**	**14,641**	**15,420**	**18,055**	**20,160**
EBIT	**7,617**	**8,901**	**9,696**	**11,139**	**12,552**

Cash Flow (Rmb mn)	2018	2019	2020e	2021e	2022e
EBITDA	11,445	14,085	15,382	17,609	20,127
- Taxes Paid	(1,448)	(1,913)	(1,939)	(2,321)	(2,846)
- Net Financial	(1,254)	(1,467)	(2,254)	(1,754)	(1,459)
- Working Capital & Others	(1,501)	(2,426)	3,426	(437)	1,680
Operating Cash Flow	**7,243**	**8,279**	**14,615**	**13,096**	**17,501**
Capex	(7,809)	(11,896)	(13,196)	(7,654)	(8,420)
FCF	(566)	(3,617)	1,419	5,442	9,081

Balance Sheet (Rmb mn)	2018	2019	2020e	2021e	2022e
Cash & Equivalents	10,090	6,225	12,910	13,966	17,917
Receivables	1,010	944	985	1,045	1,023
Inventory	12,670	14,887	15,497	16,139	15,481
Total Assets	**112,879**	**123,831**	**134,758**	**137,921**	**141,936**
Payables (ST and LT)	5,857	6,501	6,592	6,795	6,587
Borrowings	37,414	40,516	47,377	45,377	43,377
Total Liabilities	**65,606**	**66,751**	**74,191**	**73,258**	**72,203**
Shareholders Equity	40,456	51,186	54,134	57,646	62,016
Minority Interest	6,818	5,894	6,434	7,017	7,716
Total Liabilities and Equity	**112,880**	**123,831**	**134,758**	**137,921**	**141,936**

Profitability Ratio %	2018	2019	2020e	2021e	2022e
ROE (average)	2.7	2.3	2.5	2.9	3.3
EBITDA Margin	11.2	10.2	10.5	11.5	12.7
EBIT Margin	6.7	6.2	6.9	7.2	8.6
Pre-tax Profit Margin	5.9	5.2	5.5	6.2	7.8
Net Profit Margin	3.9	3.2	3.8	4.3	5.4
Net Debt / Equity %	68	67	64	54	41
Z score (<1.8, higher risk)	1.4	1.6	1.6	1.7	1.7
Interest Cover (EBITDA) (x)	7	7	6	7	9
Working Capital % of Sales	(3.8)	0.3	0.8	0.8	0.1
Days Sales AR Outstanding	8	5	5	5	5
Days in Inventory	56	52	52	53	47
Days Payable Outstanding	(55)	(45)	(39)	(38)	(41)
Cash Conversion	9	13	18	20	11

Valuations	2018	2019	2020e	2021e	2022e
P/E	27.1	26.1 e	23.1 e	19.1 e	15.6 e
P/BV	2.7	2.4 e	2.3 e	2.1 e	2.0 e
EV/Sales	0.9 e	0.7 e	0.8 e	0.7 e	0.7 e
EV/EBITDA	8.5 e	7.0 e	7.0 e	6.1 e	5.3 e
FCF Yield	(0.5%) e	(3.0%) e	1.2% e	4.5% e	7.4% e
Dividend Yield	2.1% e	2.1% e	2.4% e	2.8% e	3.5% e

(Rmb mn)	2018	2019	2020e	2020e	2020e
Shares Outstanding	23,031	23,288	25,377	25,377	25,377
Equity Value	97,501	98,589	107,432	107,432	107,432
Net Debt	27,324	34,291	34,468	31,411	25,460
Minority Interest	6,818	5,894	6,434	7,017	7,716
Enterprise Value	131,643	138,773	148,334	145,860	140,609
EBITDA	11,445	14,085	15,382	17,609	20,127
Associate Income	373	96	352	347	326
EV/EBITDA incl. asso inc	11	10	9	8	7

Quarterly - Key Drivers	1Q20e	2Q20e	3Q20e	4Q20e	1Q YoY
Gold Sales Volume (t)	9.9	9.2	9.8	11.2	8%
Copper Concentrate Vol (kt)	110.8	90.4	95.9	113.5	0%
Gold Price (Rmb/g)	340	369	418	364	25%
Copper Price (Rmb/t)	32,441	29,129	35,094	19,845	-6%
Gold Unit Cost (Rmb/g)	171	189	214	190	-1%
Copper Unit Cost (Rmb/t)	17,750	19,200	23,132	16,628	9%

Quarterly Financials	1Q20e	2Q20e	3Q20e	4Q20e	1Q YoY
Revenue	35,691	34,781	35,033	34,469	25%
COGS	(32,237)	(31,800)	(31,612)	(29,627)	27%
Gross Profit	3,455	2,981	3,422	4,842	5%
EBIT	2,295	1,686	2,117	3,560	16%
Net Income	1,141	834	1,138	2,164	30%
EPS	0.04	0.03	0.04	0.09	20%
EPS YoY	20%	-22%	-9%	55%	

Source: Company data, Morgan Stanley Research. e= Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research (e) estimates

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Risk Reward – Zijin Mining Group (2899.HK)

Sweet spot of gold and copper play

PRICE TARGET HK$5.10

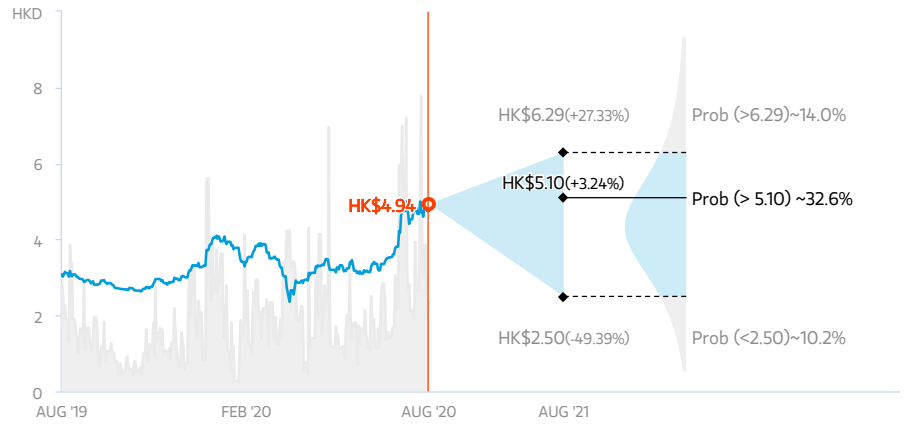
PT based on the probability weightings of 45%/50%/5% on bull/base/bear scenarios. Higher weighting to bull case as we see increasing likelihood for the gold price to reach our bull case. DCF model uses our cost of equity assumption on an ERP of 5.6%, WACC of 8% and a beta of 1.16. We assume a steady-state revenue growth rate of 1% p.a.

Consensus Price Target Distribution HK$2.60 — HK$4.45 — HK$6.30 (MS PT)

◆ Mean ◆ Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ◆ Current Stock Price ◆ Price Target

Source: Thomson Reuters, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 05 Aug, 2020. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology, here

OVERWEIGHT THESIS

- Zijin is exposed to our two preferred commodities, gold and copper, which we estimate will account for 43% and 26% of 2020e gross profit, respectively.
- We forecast Zijin to post 17% 2020e-22e earnings CAGR supported by its strong new project pipeline.
- At 14x 2020e PER, Zijin is trading below its 12-year historical average. We believe the stock should be rated Overweight as it is set to recover to its historical average earnings level over the next two years.

Consensus Rating Distribution

82% Overweight
12% Equal-weight
6% Underweight

MS Rating

Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Macroeconomics:	*Positive*
Regulation:	*Positive*

View descriptions of Risk Rewards Themes, here

BULL CASE HK$6.29

27.3x Bull case '20e EPS

Morgan Stanley bull case gold and copper prices at US$2,010/oz and US$2.69/lb, respectively, in 2021e. Zijin's 2020e gold production will increase to 48.0 tons and copper production is boosted to 445k tons in our bull case vs. 410k tons in our base case.

BASE CASE HK$4.30

18.6x Base case '20e EPS

Morgan Stanley's base case gold and copper prices at US$1,748/oz and US$2.59/lb, respectively in 2021e. Production increases to 40.1 tons.

BEAR CASE HK$2.50

10.8x Bear case '20e EPS

Morgan Stanley's bear case gold and copper prices at US$1,485/oz and US$2.11/lb, respectively, in 2021e. Zijin's 2020e gold production increases to 42.2 tons vs. 40.1 tons in our base case. Copper production is lowered to 400k tons in 2020 vs. 410k tons in our base case.

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Risk Reward – Zijin Mining Group (2899.HK)

KEY EARNINGS INPUTS

Drivers	2019	2020e	2021e	2022e
Mine-produced gold (kg)	40,831.0	40,110.2	42,165.2	49,413.2
Blended Gold ASP (Rmb/g)	308.5	386.9	389.3	335.5
Copper Concentrate Volume (Tonnes)	369,857.0	410,475.0	545,160.0	745,675.4
Mined Copper ASP (Rmb/t)	33,665.0	29,083.1	30,642.6	29,142.9
Copper TC/RC (US$/t)	80.8	62.0	60.0	65.0

CATALYST CALENDAR

Date	Event
22 Aug 2020	Q2 2020 Zijin Mining Group Co Ltd Earnings Release

Source: Thomson Reuters, Morgan Stanley

INVESTMENT DRIVERS

- Tightening of copper supply into year end to reignite market interest.
- Start of Zijin's flagship Komoa project into 2021.

GLOBAL REVENUE EXPOSURE

- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 0-10% North America
- 90-100% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies, here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

Source: Thomson Reuters, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger-than-expected gold price that moves the share price toward our bull case;
- Further RMB depreciation;
- Production volume larger-than-expected.

RISKS TO DOWNSIDE

- Weaker-than-expected gold and copper prices.
- Any acceleration in RMB depreciation would drag Zijin's earnings, given its USD borrowings.

OWNERSHIP POSITIONING

Inst. Owners, % Active 44.6%

Source: Thomson Reuters, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2020e

Sales / Revenue (Rmb, mn)	137,072	139,975 / 154,130	169,697
EBITDA (Rmb, mn)	12,286	15,382 / 14,977	17,914
Net income (Rmb, mn)	3,153	5,277 / 4,541	6,862
EPS (Rmb)	0.12	0.21 / 0.18	0.27

◆ Mean ◆ Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

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Risk Reward – Zijin Mining Group (601899.SS)

We expect the A-H price differential to narrow

PRICE TARGET Rmb4.83

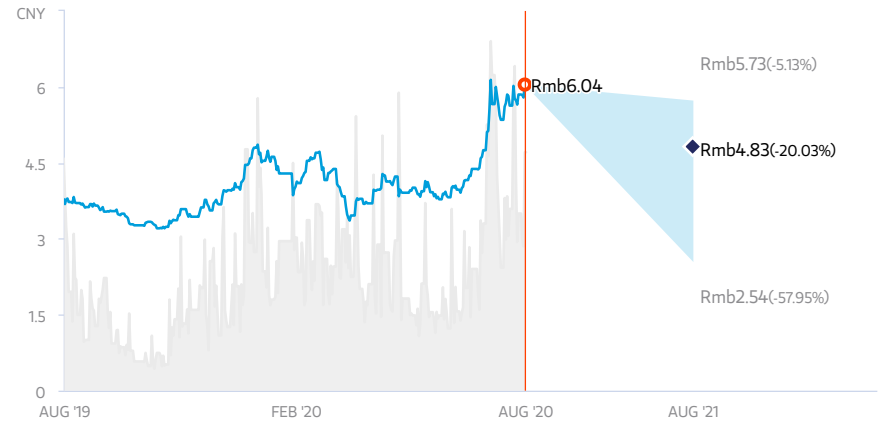
Based on our H share target price adjusting for HKDCNY exchange rate of 1.08 and 10% premium, which is the average level of mining majors under our coverage.

Consensus Price Target Distribution Rmb3.60 — Rmb5.02 (MS PT) — Rmb8.00

Source: Thomson Reuters, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART



Key: — Historical Stock Performance ◆ Current Stock Price ◆ Price Target

Source: Thomson Reuters, Morgan Stanley Research

UNDERWEIGHT THESIS

- Zijin is exposed to our two preferred commodities, gold and copper, which we estimate will account for 43% and 26% of 2020e gross profit.
- We forecast Zijin posts 17% 2020e-22e earnings CAGR supported by its strong new project pipeline.
- However, at 42% premium vs. its H share, we think Zijin-A is overvalued and expect the price differential to narrow.
- We have modeled scenarios based on what we consider to be the key drivers of the stock's value over the next 12 months. There is, however, the potential for outright upside in the stock price due to other factors that we consider to be relatively unlikely.

Consensus Rating Distribution

80% Overweight
15% Equal-weight
5% Underweight
● MS Rating

Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Macroeconomics:	*Negative*
Regulation:	*Positive*
Share Gain:	*Negative*

View descriptions of Risk Rewards Themes, here

BULL CASE Rmb5.73

30.2x Bull case '20e EPS

Morgan Stanley bull case gold and copper prices at US$2,010/oz and US$2.69/lb, respectively, in 2021e. Zijin's 2020e gold production will increase to 48.0 tons and copper production is boosted to 445k tons in our bull case vs. 410k tons in our base case.

BASE CASE Rmb4.24

20.7x Base case '20e EPS

Morgan Stanley's base case gold and copper prices at US$1,748/oz and US$2.59/lb, respectively in 2021e. Production increases to 40.1 tons.

BEAR CASE Rmb2.54

12.0x Bear case '20e EPS

Morgan Stanley's bear case gold and copper prices at US$1,485/oz and US$2.11/lb, respectively, in 2020e. Zijin's 2020e gold production increases to 42.2 tons vs. 40.1 tons in our base case. Copper production is lowered to 400k tons in 2020 vs. 410k tons in our base case.

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Risk Reward – Zijin Mining Group (601899.SS)

KEY EARNINGS INPUTS

Drivers	2019	2020e	2021e	2022e
Mine-produced gold (kg)	40,831.0	40,110.2	42,165.2	49,413.2
Blended Gold ASP (Rmb/g)	308.5	386.9	389.3	335.5
Copper Concentrate Volume (Tonnes)	369,857.0	410,475.0	545,160.0	745,675.4
Mined Copper ASP (Rmb/t)	33,665.0	29,083.1	30,642.6	29,142.9
Copper TC/RC (US$/t)	80.8	62.0	60.0	65.0

CATALYST CALENDAR

Date	Event
22 Aug 2020	Q2 2020 Zijin Mining Group Co Ltd Earnings Release

Source: Thomson Reuters, Morgan Stanley

INVESTMENT DRIVERS

- Tightening of copper supply into year end to reignite market interest.
- Start of Zijin's flagship Komoa project into 2021.

GLOBAL REVENUE EXPOSURE

- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 0-10% North America
- 90-100% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies, here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

Source: Thomson Reuters, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- A-H premium persists, which continues to support the price premium for Zijin-A over H-share.
- Stronger-than-expected gold and copper prices.

RISKS TO DOWNSIDE

- Weaker-than-expected gold and copper prices.
- Any acceleration in RMB depreciation would drag Zijin's earnings, given its USD borrowings.

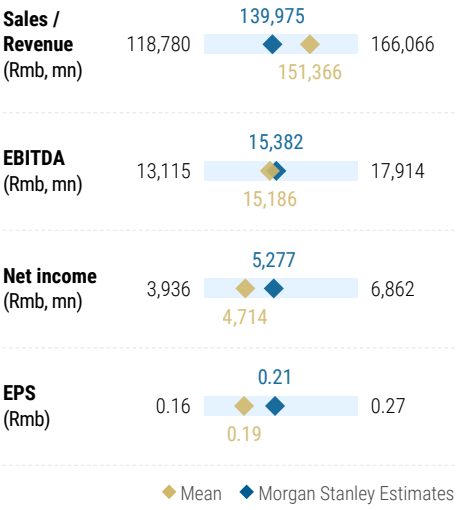
OWNERSHIP POSITIONING

Inst. Owners, % Active 97.1%

Source: Thomson Reuters, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2020e



Source: Thomson Reuters, Morgan Stanley Research

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Zhongjin – Financial summary

Exhibit 81:

Zhongjin: Financial Summary

Assumptions	2018	2019	2020e	2021e	2022e
Mined gold volume (t)	24.4	24.7	23.7	22.8	20.5
ASP (Rmb/g)	240	244	347	361	305
Cash Cost (Rmb/t)	(165)	(123)	(128)	(136)	(133)
Mined Gold Volume (k oz)	783	794	763	733	660
ASP (USD/oz)	1,269	1,387	1,713	1,792	1,538
Cash Cost (USD/oz)	(777)	(554)	(562)	(598)	(597)
RMB/USD	6.62	6.91	7.08	7.05	6.92
P&L (Rmb mn)	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Net Sales	34,452	38,963	44,217	47,375	41,957
Gross Profit	3,281	4,015	6,161	6,521	5,037
EBITDA	**2,588**	**2,850**	**5,148**	**5,453**	**4,222**
Consensus EBITDA		3,041	4,396	4,631	NA
Diff. to Consensus EBITDA (%)		(6)	17	18	NA
EBIT	**1,213**	**1,467**	**3,698**	**3,970**	**2,771**
Net Financing Cost	(710)	(532)	(615)	(680)	(688)
Pre-tax Profit	**555**	**985**	**3,142**	**3,350**	**2,143**
Tax	(179)	(293)	(934)	(996)	(637)
Minority Interest	(180)	(513)	(1,638)	(1,746)	(1,117)
Net Profit	**196**	**179**	570	608	389
Cash Flow (Rmb mn)	**2018**	**2019**	**2020e**	**2021e**	**2022e**
EBITDA	2,588	2,850	5,148	5,453	4,222
-Taxes Paid	(179)	(293)	(934)	(996)	(637)
-Working Capital Changes	(472)	(515)	(1,142)	(659)	1,244
-Others	179	293	934	996	637
Operating cash flow	**2,117**	**2,335**	**4,006**	**4,794**	**5,466**
-Capex.	(1,221)	(1,583)	(2,203)	(1,073)	(1,044)
FCF	895	752	1,803	3,721	4,423
Disposal of PP&E	1	2	0	0	0
Acquisition	(329)	(1,289)	0	0	0
Investing cash flow	**(1,039)**	**(1,335)**	**(2,203)**	**(1,073)**	**(1,044)**
Equity Raised	0	0	0	0	0
Debt Raised	10,535	10,345	0	0	0
Dividend	(69)	(90)	(188)	(201)	(128)
Financing cash flow	**(1,130)**	**(362)**	**(795)**	**(1,515)**	**(2,801)**
Net increase in cash	**5,150**	**(1,816)**	**587**	**1,950**	**2,763**
Per Share Data (Rmb)	**2018**	**2019**	**2020e**	**2021e**	**2022e**
ModelWare EPS	0.06	0.05	0.17	0.18	0.11
Consensus EPS	0.10	0.06	0.18	0.19	NA
Diff. to Consensus EPS (%)	NA	NA	NA	NA	NA
DPS	0.02	0.03	0.05	0.06	0.04
BVPS	3.95	3.98	4.09	4.21	4.28

Profitability Ratios %	2018	2019	2020e	2021e	2022e
ROE	1.4%	1.3%	4.0%	4.2%	2.6%
EBITDA margin	7.5%	7.3%	11.6%	11.5%	10.1%
EBIT margin	3.5%	3.8%	8.4%	8.4%	6.6%
Pre-tax profit margin	1.6%	2.5%	7.1%	7.1%	5.1%
Net profit margin	0.6%	0.5%	1.3%	1.3%	0.9%
Net Debt / Equity %	-54.6%	-67.5%	-61.5%	-46.3%	-26.8%
Interest cover (EBITDA) (x)	3.5	3.7	5.1	7.8	7.5
Days sales AR outstanding	1.8	1.0	1.2	1.2	1.4
Days in inventory	10.6	5.9	4.2	4.4	4.8
Days payable outstanding	3.0	3.1	2.9	2.9	3.2
Cash conversion	9.4	3.7	2.5	2.7	3.0
Balance Sheet (Rmb mn)	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Cash & Equivalents	3,641	4,366	6,643	9,749	11,688
Receivables	78	138	157	168	149
Inventories	9,705	11,329	12,856	13,774	12,199
Property, Plant and Equipment	12,846	12,739	13,425	13,045	12,697
Intangible Asset	3,832	4,054	4,054	4,054	4,054
Goodwill	721	682	682	682	682
Other Current Asset	79	95	95	95	95
Other Asset	7,151	6,619	6,658	6,704	6,516
Total Assets	**38,053**	**40,022**	**44,571**	**48,272**	**48,080**
Payables	1,872	2,670	2,907	3,123	2,823
Borrowings	11,084	13,625	15,315	16,471	15,648
Other Current Liability	2,752	1,043	1,043	1,043	1,043
Other Liabiliyties	3,019	2,779	3,382	3,557	3,111
Total Liabilities	**18,727**	**20,118**	**22,647**	**24,195**	**22,625**
Shareholders Equity	13,622	13,723	14,105	14,513	14,773
Minority Interest	5,703	6,181	7,819	9,565	10,682
Total Liabilities and Equity	**38,053**	**40,022**	**44,571**	**48,272**	**48,080**
Valuation	**2018**	**2019**	**2020e**	**2021e**	**2022e**
P/E	151.0	132.9 e	72.3 e	90.6 e	95.8 e
P/BV	2.2	2.1 e	1.9 e	1.9 e	1.9 e
EV/Sales	1.2	1.1 e	0.9 e	0.9 e	0.9 e
EV/EBITDA	15.0	12.9 e	9.1 e	9.7 e	9.8 e
FCF Yield %	3.0%	3.7% e	8.4% e	10.5% e	11.4% e
Dividend Yield %	0.2%	0.2% e	0.5% e	0.4% e	0.3% e
Quarterly Financials	**1Q19**	**2Q19**	**3Q19**	**4Q19**	**2019**
Net sales	7,901	8,806	9,981	12,276	38,963
Gross profit	781	854	1,081	1,299	4,015
EBIT	322	282	418	445	1,467
EBIT Margin	4%	3%	4%	4%	4%
Net Income	33	41	57	48	179
EPS	0.01	0.02	0.04	0.05	0.05

Source: Company data, Morgan Stanley Research (e) estimates

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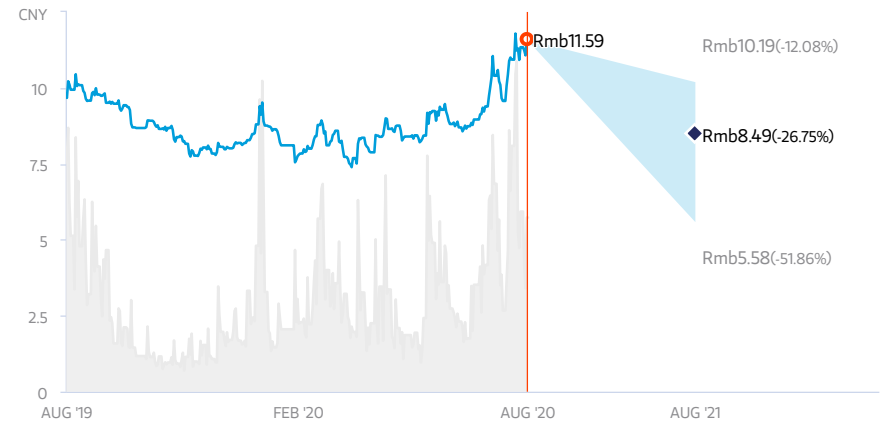
Risk Reward – Zhongjin Gold Corp. Ltd. (600489.SS)

UW due to declining production and increasing low margin smelting business

PRICE TARGET Rmb8.49

PT based on the probability weightings of 45%/50%/5% on bull/base/bear scenarios. Higher weighting to bull case as we see increasing likelihood for the gold price to reach our bull case,. DCF model uses an ERP of 5.2%, and a beta of 1.18. We assume a steady-state revenue growth rate of 2% p.a.

RISK REWARD CHART



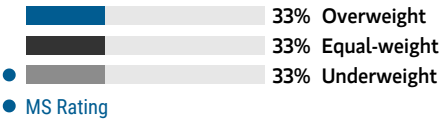
Key: Historical Stock Performance Current Stock Price Price Target

Source: Thomson Reuters, Morgan Stanley Research

UNDERWEIGHT THESIS

- ASP in line with the global commodity price deck for 2020e/2021e/2022e of Rmb341/g/Rmb354/g/Rmb305/g, respectively.
- However, we expect the company's earnings to be dragged down by its declining gold production and increasing exposure to low margin smelting business.
- We have modeled scenarios based on what we consider to be the key drivers of the stock's value over the next 12 months. There is, however, the potential for outright upside in the stock price due to other factors that we consider to be relatively unlikely.

Consensus Rating Distribution



Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Macroeconomics:	*Positive*
Share Gain:	*Negative*

View descriptions of Risk Rewards Themes, here

BULL CASE Rmb10.19

2.5x 2020e BVPS

Gold price surges: The impact of COVID-19 on economy is larger than our expectation, which supports higher gold price vs. our base case. 1) Our bull case assumes a gold price of US$2,010/oz in 2021e vs. our base case of US$1,748/oz; 2) the company acquires 1tpa of gold resources; 3) organic growth is the same as in our base case.

BASE CASE Rmb7.26

1.8x 2020e BVPS

Gold price increases significantly: We use Morgan Stanley Research's base-case 2021 gold price forecast of US$1,748/oz. Our base case assumes annual mined gold production of 23.7 tons in 2020.

BEAR CASE Rmb5.58

1.4x 2020e BVPS

Gold price increases, and no resource acquisition: USD strength and accelerating Fed rate hikes bring gold price to our bear case. 1) We use Morgan Stanley Research's bear-case 2021 gold price forecast of US$1,485/oz; 2) excludes acquisition growth of 0.5tpa; 3) higher-than-expected costs due to environmental production.

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Risk Reward – Zhongjin Gold Corp. Ltd. (600489.SS)

KEY EARNINGS INPUTS

Drivers	2019	2020e	2021e	2022e
USDCNY	6.9	7.1	7.0	6.9
Gold price (US$/oz)	1,387.0	1,713.0	1,791.7	1,537.5
Copper price (US$/lb)	2.7	2.6	2.8	2.6
Silver price (US$/oz)	16.2	17.2	17.2	18.4
Unit cost blended (Rmb/g)	(220.3)	(303.1)	(317.6)	(279.3)

CATALYST CALENDAR

Date	Event
28 Aug 2020	Q2 2020 Zhongjin Gold Corp Ltd Earnings Release

Source: Thomson Reuters, Morgan Stanley

INVESTMENT DRIVERS

- Retreat of gold price as uncertainties in global economies are resolved better than expected.
- Scattered mine locations cause further difficulty in cost control.
- Higher-than-expected minority interest offsets growth quality.

GLOBAL REVENUE EXPOSURE

● 100% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies, here

MS ALPHA MODELS

4/5 MOST — 3 Month Horizon

Source: Thomson Reuters, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Asset injection faster than expected.
- Further cost control to improve production efficiency.

RISKS TO DOWNSIDE

- Weaker-than-expected gold price
- Gold production less-than-expected

OWNERSHIP POSITIONING

Inst. Owners, % Active 90.5%

Source: Thomson Reuters, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2020e

Sales / Revenue (Rmb, mn) ◆ 44,217
Note: There are not sufficient brokers supplying consensus data for this metric

EBITDA (Rmb, mn) ◆ 5,313
Note: There are not sufficient brokers supplying consensus data for this metric

Net income (Rmb, mn) ◆ 570
Note: There are not sufficient brokers supplying consensus data for this metric

EPS (Rmb) ◆ 0.17
Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆ Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

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(as of July 31, 2020)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1288	39%	337	45%	26%	573	39%
Equal-weight/Hold	1418	43%	328	44%	23%	678	46%
Not-Rated/Hold	4	0%	1	0%	25%	3	0%
Underweight/Sell	554	17%	86	11%	16%	225	15%
Total	3,264		752			1479	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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INDUSTRY COVERAGE: Greater China Materials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/05/2020)
Hannah Yang, CFA		
MMG Ltd (1208.HK)	O (05/14/2020)	HK$2.06
Rachel L Zhang		
Aluminum Corp. of China Ltd. (601600.SS)	E (09/24/2019)	Rmb3.43
Aluminum Corp. of China Ltd. (2600.HK)	E (09/24/2019)	HK$2.25
Angang Steel Company Limited (0347.HK)	O (11/28/2013)	HK$2.24
Angang Steel Company Limited (000898.SZ)	O (01/09/2018)	Rmb2.73
Baoshan Iron & Steel (600019.SS)	O (01/16/2016)	Rmb4.92
China Jushi (600176.SS)	O (04/30/2019)	Rmb13.56
China Molybdenum (3993.HK)	O (09/24/2019)	HK$3.55
China Molybdenum (603993.SS)	E (09/24/2019)	Rmb4.85
CSG Holding Co., Ltd. (000012.SZ)	E (07/30/2020)	Rmb6.50
Flat Glass Group Co Ltd (6865.HK)	O (07/30/2020)	HK$13.00
Flat Glass Group Co Ltd (601865.SS)	O (07/30/2020)	Rmb26.28
Ganfeng Lithium Co. Ltd. (002460.SZ)	E (06/16/2020)	Rmb58.15
Ganfeng Lithium Co. Ltd. (1772.HK)	O (06/16/2020)	HK$46.00
Jiangxi Copper (0358.HK)	O (09/24/2019)	HK$9.89
Jiangxi Copper (600362.SS)	E (09/24/2019)	Rmb16.92
Lee & Man Paper Manufacturing (2314.HK)	U (06/01/2020)	HK$4.96
Maanshan Iron & Steel (0323.HK)	O (01/16/2016)	HK$2.15
Maanshan Iron & Steel (600808.SS)	O (03/14/2017)	Rmb2.73
Nine Dragons Paper (2689.HK)	U (06/01/2020)	HK$8.56
Shandong Nanshan Aluminium Co. (600219.SS)	U (03/25/2020)	Rmb2.43
Tianqi Lithium Industries Inc. (002466.SZ)	++	Rmb25.23
Xinyi Glass Holding Limited (0868.HK)	O (07/30/2020)	HK$12.20
Zhuzhou Kibing Group Co Ltd (601636.SS)	O (07/30/2020)	Rmb8.94
Sara Chan		
FangDa Carbon New Material Co. Ltd. (600516.SS)	U (08/12/2019)	Rmb7.19
Shandong Gold Mining Co. Ltd (600547.SS)	U (11/06/2018)	Rmb44.86
Shandong Gold Mining Co. Ltd (1787.HK)	E (11/06/2018)	HK$25.00
Zhaojin Mining Industry (1818.HK)	O (01/20/2015)	HK$9.83
Zhongjin Gold Corp. Ltd. (600489.SS)	U (04/04/2019)	Rmb11.59
Zijin Mining Group (2899.HK)	O (07/09/2019)	HK$4.94
Zijin Mining Group (601899.SS)	U (07/09/2019)	Rmb6.04
Sean Xiang		
China Steel Corp. (2002.TW)	E (09/28/2017)	NT$20.00
Zhejiang Huayou Cobalt Co Ltd (603799.SS)	O (07/03/2020)	Rmb46.44

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

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The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

Asia/Pacific
1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

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